FOREIGN AGRICULTURE

Sept.
1980

United States Department of Agriculture Foreign Agricultural Service

U.S. Transportation Has Some Major Challenges Ahead • Success Marks USFGC Livestock Feeding Program in Japan • Spain Is Billion-Dollar U.S. Farm Market

U.S.-China Trade Agreement Opens Doors to New and Expanded Trade Opportunities

The People's Republic of China has grown from an insignificant factor in U.S. farm trade to the eleventh largest market for U.S. agricultural products—buying almost $1 billion worth from American farmers in calendar 1979.

And the prospects for increased U.S.-China trade have grown even brighter with the implementation this year of the U.S.-China trade agreement, which includes:

- Mutual extension of most-favored-nation treatment, or MFN;
- Provisions for opening a U.S. trade office in Beijing and for market development activities of U.S. agribusiness and trade organizations;
- Extension of U.S. export credits for China's imports of U.S. products, including financing made available or guaranteed by USDA's Commodity Credit Corporation; and
- Safeguards against market disruptions.

What is the current U.S.-China trade picture and how will these provisions affect it?

In 1979, the United States exported record quantities of corn (2.4 million tons) and cotton (840,000 running bales) to China, as well as substantial amounts of wheat (1.6 million tons) and soybeans (400,000 tons). We expected continued, substantial Chinese purchases of these products.

In addition, future U.S. agricultural exports to China may rise in response to the Chinese leadership's intention to upgrade and improve diets. Large increases in total Chinese demand could result from very modest growth in per capita consumption of meat and dairy products. Increased demand for feedgrains and protein feeds deriving from scientific feeding of livestock probably would have to be met through expanded imports.

Generally speaking, China's participation in U.S. agricultural import markets will not be heavily affected by a switch to MFN tariffs—primarily because the Chinese so far have expanded farm products to the United States with low or nonexistent tariff differentials. Substantial tariff differentials do exist for some commodities and it is likely that MFN tariffs will increase China's exports of these commodities, such as essential oils, soy sauce, and liquors.

Regarding total U.S. agricultural imports from China, the sales base is so small that its exports to the United States could increase rapidly in specific import categories without significantly affecting total trade. To gain even 1 percent of the U.S. agricultural import market, Chinese sales would have to double.

On the other hand, an increase in Chinese sales resulting from tariff reductions may lead to further increases in China's purchases of U.S. commodities and products. Because of China's hard currency shortage, its imports are in part constrained by China's ability to export. Clearly then, an MFN-induced increase in China's exports to the United States has—as its counterpart—the potential for increases in U.S. sales to China.

U.S. exporters should benefit from other MFN-related provisions, such as liberalized, less-stringent licensing procedures.

The provisions in the U.S.-China trade agreement for a trade office in China and market development work have sparked a new program of agricultural cooperation between our two nations.

FAS opened six agricultural trade offices in the past year, under authority provided by the Agricultural Trade Act of 1978. We have begun preliminary work to open an office in Beijing. Because of space shortages there, it will be perhaps late in 1981 before the office is in operation. But before the end of this year, we hope to have a trade officer stationed in the area who will visit Beijing periodically to make contact and establish relationships with various Government departments so as to be of service to U.S. tradesmen interested in the market.

This fall—November 17-28—the United States will have its first big trade exhibit—"U.S. National Exhibit—Beijing" in China. Agriculture will participate through its market development cooperators. Several cooperators, including the U.S. Feed Grains Council and U.S. Wheat Associates, Inc., have made visits to China to determine common interests and mutually beneficial programs.

It takes a lot of effort to develop foreign market demand, to educate foreign processors and consumers on how to use U.S. commodities, such as wheat and feedgrains, efficiently. One project moving right along in China is that of U.S. Wheat Associates. It is setting up a completely mechanized bakery to show the Chinese how to expand and modernize their wheat food processing industry.

And I'm highly confident about their efforts: For wheat, the most promising single market is China. When one thinks about a billion people, even tiny shifts in per capita use suggests tremendous payoffs for market development work, such as that of our cooperators.

We in FAS will continue supporting this work. A substantial portion of the $1.6 million increase in market development funding granted by Congress for the current fiscal year is earmarked for work in China.

The outlook for U.S.-China trade is bright. And as we get further involved with our work in China, the next 25 years look even more promising.

—From remarks by Thomas R. Hughes, FAS Administrator.

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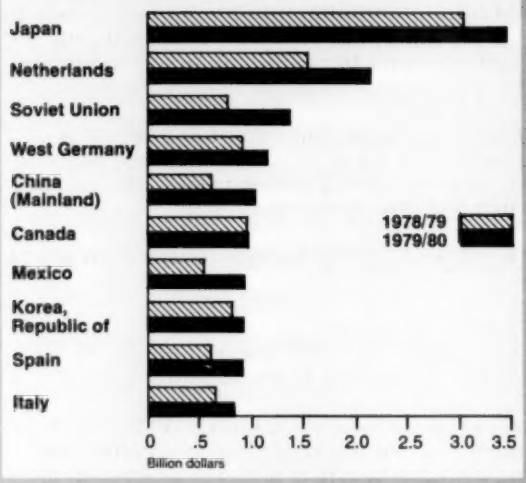
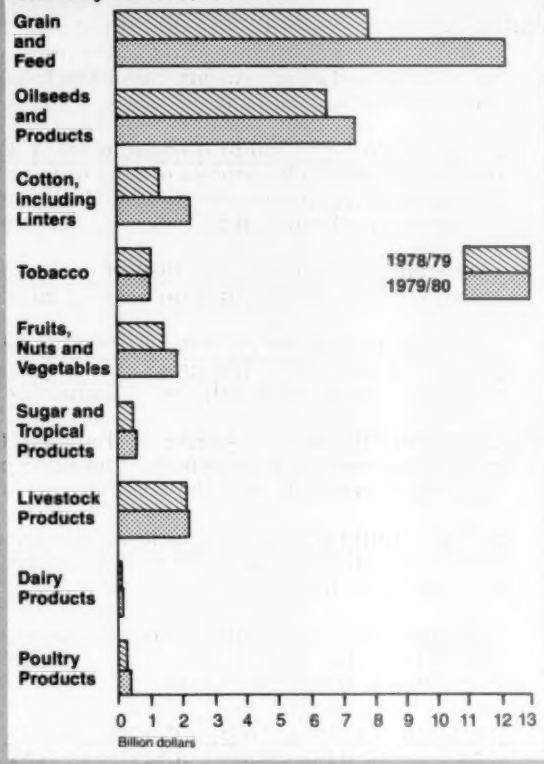
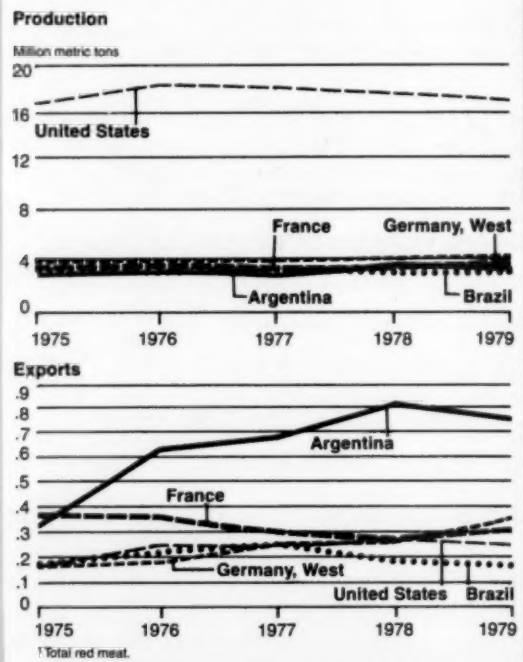
Major Markets for U.S. Agriculture Exports, Oct-April 1978/79, 1979/80



Value of U.S. Agricultural Exports, Oct.-May 1978/79, 1979/80

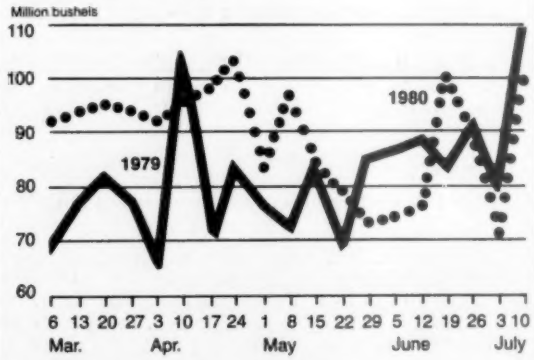


Meat Production and Exports[1] by Five Top Producers, 1975-79



[1]Total red meat.

Weekly Inspections of U.S. Grains[1] and Soybeans for Export[2]



[1]Grains include corn, wheat, sorghum, barley, and oats.
[2]Week ending on date given.

COMMODITY UPDATE

WORLD COTTON PRODUCTION IN 1980/81 IS ESTIMATED AT 64.9 MILLION BALES (480 lb net), based on the FAS *World Crop Production* circular, August 11, 1980. This puts world output down slightly from the 1979/80 level of 65.5 million bales. The foreign crop is slightly larger and the U.S. crop smaller than in the previous season.

U.S. production for 1980/81 is estimated at 12.8 million bales, 14 percent below last year's. The 1980/81 Soviet crop is reported making excellent progress and is estimated at 13.3 million bales. Chinese production is unchanged from last month's, remaining at 10.7 million bales. Total foreign production is estimated at 52.1 million bales, compared with 50.8 million in 1979/80.

World cotton consumption for 1980/81 is expected to increase slightly. Foreign consumption will be up, while U.S. consumption is expected to decline.

U.S. cotton exports are estimated at 9.4 million bales for 1979/80, the highest level since that of 1926/27. Larger 1980/81 foreign production, recessionary pressures, and lower projected U.S. supplies are expected to hold the U.S. export level to 6.8 million bales in 1980/81.

HOT, DRY WEATHER IN KEY AREAS OF THE UNITED STATES HAS SIGNIFICANTLY REDUCED the expected soybean crop for 1980/81. The world production estimate is down 5 million metric tons from the July estimate, with the U.S. crop accounting for 4.3 million tons of this downward revision.

Estimated world production of cottonseed, peanuts, and sunflowerseed has fallen since July. Poor weather conditions in the USSR and Yugoslavia are primarily responsible for the decline in sunflowerseed production.

September-June export totals show U.S. soybean shipments are 15 percent ahead of last year's. Exports to the European Community are 18 percent higher, while exports to the People's Republic of China show a 471 percent increase.

The substantially larger U.S. and world carryin stocks of soybeans and other oilseeds, coupled with some slowing in the demand for soybean products—particularly in the United States—will temper price increases in 1980/81. Stocks of all oilseeds this fall in the major producer-exporter countries are expected to be at a record high—up by 11 million tons, or about double last year's levels.

PRODUCTION OF POULTRY MEAT AND EGGS IN 38 OF THE WORLD'S LARGER PRODUCING and/or consuming nations is expected to rise in 1980. Trade in poultry meat and eggs also will gain.

Overall, poultry meat output in the 38 countries will expand by almost 5 percent. Broiler and turkey production should gain by 5 and 9 percent, respectively. Production of meat from fowl should increase about 1 percent, despite a small decrease in the Soviet Union, the world's largest producer.

The United States accounts for about 38 percent of broiler production, with the European Community, Brazil, Japan, and Spain making up another 39 percent. Turkey production is even more concentrated, with 56 percent in the United States and 29 percent in the European Community (EC).

World trade in poultry meat—dominated by the EC, the United States, and Hungary—continues to be mainly in broilers and turkeys. Of the 1,191,000 tons of poultry meat exported in 1979, 51 percent was from the EC, 19 percent from the United States, and 11 percent from Hungary. Around 54 percent of EC broiler exports represent trade among the EC members, with shipments to almost all non-EC countries moving because of sizable subsidies.

Egg production in 1980 is forecast at 337.7 billion eggs, 1 percent more than in 1979. Small increases are foreseen for all regions except South Africa and the Soviet Union. The United States, the EC, and the Soviet Union each produced about 20 percent of the total in 1979 and will approximate the same levels in 1980.

WORLD SUGAR SITUATION REMAINS VOLATILE AS THE MARKET REVIEWS THE LATEST estimates for the 1979/80 crop and speculates on upcoming 1980/81 production. Another world shortfall is foreseen on the basis of poor crops in the Soviet Union and Cuba. South Africa also will have a poor year in 1980/81, while production is expected to be up in Brazil and India. World sugar prices are again trending upward, following a general weakening in July.

WORLD GRAIN SUPPLY/DEMAND OUTLOOK HAS TIGHTENED SIGNIFICANTLY IN RECENT WEEKS. This is especially true for the coarse grains sector as production prospects have declined in the United States, the Soviet Union, and Eastern Europe, while total utilization and import demand continue to be forecast at high levels.

Despite recent coarse grain price increases and projected higher average prices this year, overall consumption outside the United States is still expected to rise moderately. In many major import areas, markets are sheltered from international price swings by import levies and other structural factors, including domestic economic policies that tend to delay, moderate, or in some cases negate responses to higher prices.

The outlook for foodgrains is still for a slight buildup in stocks this year as rice crop prospects remain favorable and the wheat outlook is virtually unchanged from that of a month ago. Heavy rains in Europe during the latter part of July caused some concern, but it now appears that overall wheat production was not notably affected, although quality may have deteriorated, especially in Eastern Europe. Rains during July have improved the wheat crop outlook in Australia and Canada.

During July, prospects for 1980 grain production in the USSR have declined as a result of hot, dry weather in southeastern areas of the European USSR and the southern areas of the New Lands. In northwestern European USSR, excessive moisture and some flooding reduced prospects. The most likely production level is now estimated to be about 210 million tons, down from the 215-million-ton forecast published in July, but 31 million tons, or 17 percent, more than last year's poor outturn.

POTATO PLANTINGS IN THE UNITED STATES, THE EUROPEAN COMMUNITY (EC), CANADA, AND Japan are expected to drop to just under 1.9 million hectares. This is the third consecutive reduction in potato areas since 1977, when 2.22 million hectares were harvested. Only Belgium-Luxembourg and Ireland have areas estimated greater than those of 1979.

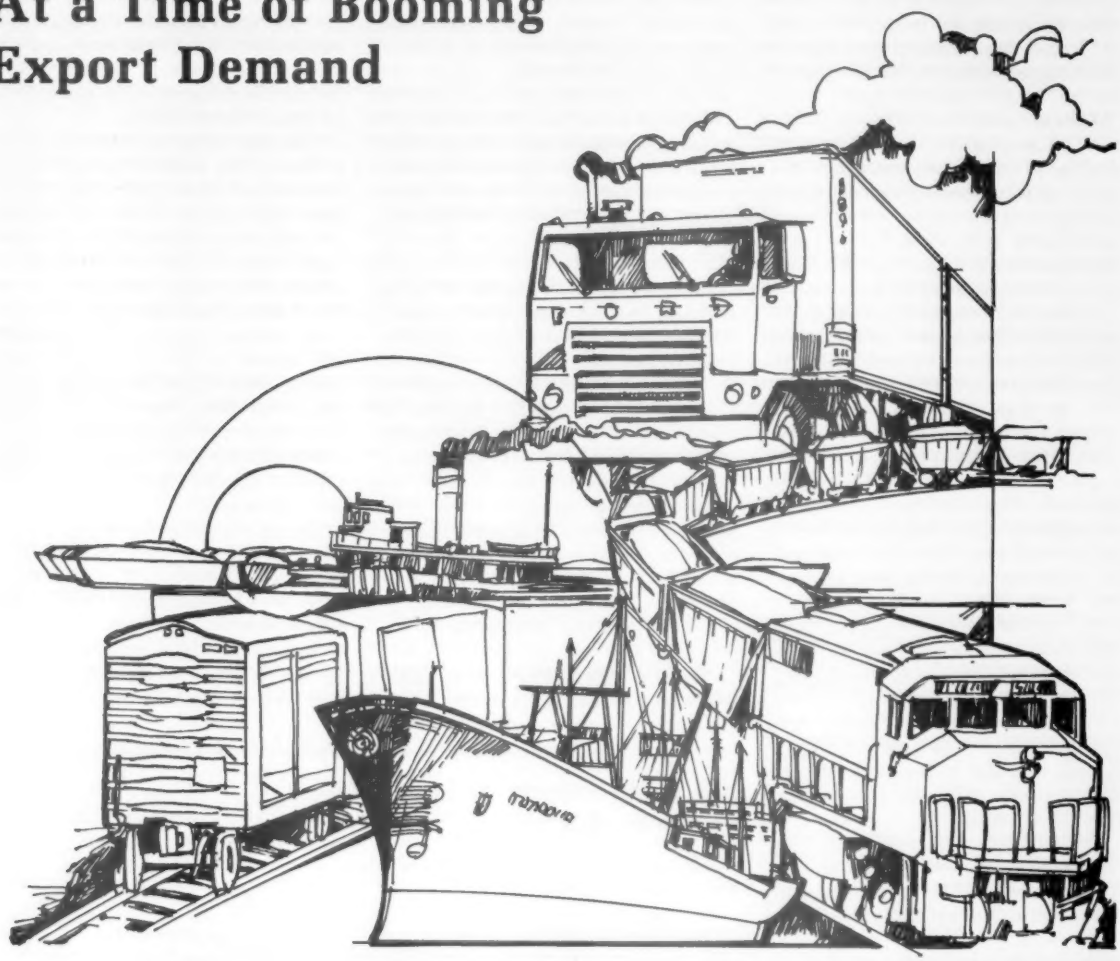
Combined potato production for this group of countries is also projected to fall for the third consecutive year to just under 54.4 million metric tons in 1980. Based on area forecast for the fall crop and average 1978-79 yields, total U.S. potato output could fall nearly 10 percent from the 1979 level. Projections also indicate potato production will be down about 8 percent in Canada, 1 percent in the EC, and 6 percent in Japan.

IN AN EFFORT TO INCREASE TOBACCO AUCTION PRICES, THE GOVERNMENT OF ZIMBABWE AND the Zimbabwe Tobacco Association have established a program to remove surplus tobacco from the market. Thirty million U.S. dollars have been made available for commercial banks to lend at low interest rates to local merchants who, in turn, will purchase the surplus.

Participating merchants are required to hold this tobacco off the market for 2 years before it can be sold. They may keep any profits from these sales and losses will be reimbursed by the Government.

Purchases, which began in late July, must be concentrated in middle-range grades, since higher grades are selling at a profit and the industry believes lower grades should be sold for whatever price they bring. Prices responded to the Government's actions, with the average increasing from 105.57 U.S. cents in the 15th week of sales to 107.20 in the 16th week (July 21-25).

Transportation Hurdles Challenge U.S. Grain Shippers At a Time of Booming Export Demand



Can a U.S. transportation system that was pushed close to its limits in the 1970's handle the 40 percent increase seen for U.S. grain and soybean exports during the 1980's?

The jury is still out. Serious traffic tieups in the past 2 years pointed to major problems down the road, but 1980 so far has witnessed few difficulties in moving record grain and soybean exports to port. The difference comes in part because of recession and consequent reductions in transportation needs of other sectors of the economy. It also reflects continuing expansion and improvements being made in U.S. transportation capability, plus the system's relative freedom so far from weather problems, prolonged strikes, and reverberative financial difficulties.

Attention, meanwhile, continues to focus on ways to improve transportation and storage of farm products destined for export. The challenge is obvious as U.S. farm exports move toward their 10th successive record—more than $38 billion forecast for fiscal 1980, against only $8 billion a decade earlier—with a rising agricultural trade surplus one of the few bright spots in the U.S. balance of trade.

Volume of this trade has more than doubled during the past decade—from 70 million metric tons in fiscal 1971 to an estimated 158 million this year—and is expected to continue a rapid growth rate in the years ahead.

Moreover, foreign customers now rely on the United States for more than 50 percent of all agricultural exports. This includes over 60 percent of the world grain exports as well as 80

By Beverly Horsley, Associate Editor, Foreign Agriculture.

percent of the soybeans.

The pressure of rising demand on transportation is affecting not only the United States but also its North American neighbors—Canada, traditionally the world's largest grain exporter next to the United States; and Mexico, with a booming economy and import growth that already has taxed its rail and port capacities.

Consider that—

- U.S. grain and soybean shipments during the 1980's are forecast to rise by 50 million tons—or by nearly 10 percent.
- Canada is pushing for a 50-percent increase in its grain and oilseed exports over the next 5 years; and
- Mexico is expected to import a record 7 million tons of grain during 1980/81 (July-June) following a record 6.0 million in 1979/80 and 4.0 million, 3.0 million, and 1.7 million, respectively, in the previous 3 years.

Needless to say, these anticipated expansion plans represent only small segments of economies that are preparing for enlarged shipments of other agricultural and industrial products in the years ahead. For instance, the U.S. goal of doubling coal production to over 1 billion tons between 1979 and 1985 will depend heavily on coal fields that use much the same routes as those traversed by grains moving into export. Already, the rail-to-barge coal transfer facility at St. Louis has begun loading millions of tons of coal, and such loadings will accelerate as U.S. production increases.

The potential impact of such converging demands was hinted at during 1978 and early 1979. In Canada and Australia, for instance, transportation bottlenecks at a time of large crops prompted speculation that the nations at least temporarily had reached the limits of their ability to move grain into export. In Mexico, some of the corn imports needed to compensate for severe drought had to be postponed until 1980 because railroads and ports had been strained beyond their capacity to handle trade.

In the United States, the past 2 years were punctuated by widespread shortages of railcars, embargoes on rail traffic moving into congested ports, backups of ships waiting to take on cargo, rising demurrage and shipping charges, overflowing grain elevators and farm storage facilities, and disruptive strikes. Rising energy costs affected all segments of the system—and continue to do so—while policymakers pondered the conflicting needs of carriers pushing for deregulation versus shippers concerned about quality and costs of services.

Still, the United States enjoyed two successive record years for grain exports—89.6 million tons in 1978/79 (July-June) and 109.1 million in 1979/80—and expects a slight gain to 110 million this year baring further setbacks in the drought-affected U.S. crop. It also exported 20.5 million tons of soybeans in 1978/79 followed by an estimated 23.1 million in 1979/80, and may realize a small gain again in 1980/81.

By early 1980, a rapidly cooling economy had changed the transportation situation dramatically. Indeed, shipments of nonagricultural products slowed enough to create a surplus of 40- and 50-foot boxcars, a number of which were subsequently used in unit trains moving record grain exports to Mexico.

Traffic continued relatively smooth through June, with an Interstate Commerce Commission (ICC) analyst stating that—for the first time in a decade—no major railcar supply problems developed during the wheat harvest.

However, persistent rain in June followed by hot, dry weather compressed the wheat harvest into a shorter than normal period, resulting in some railcar shortages.

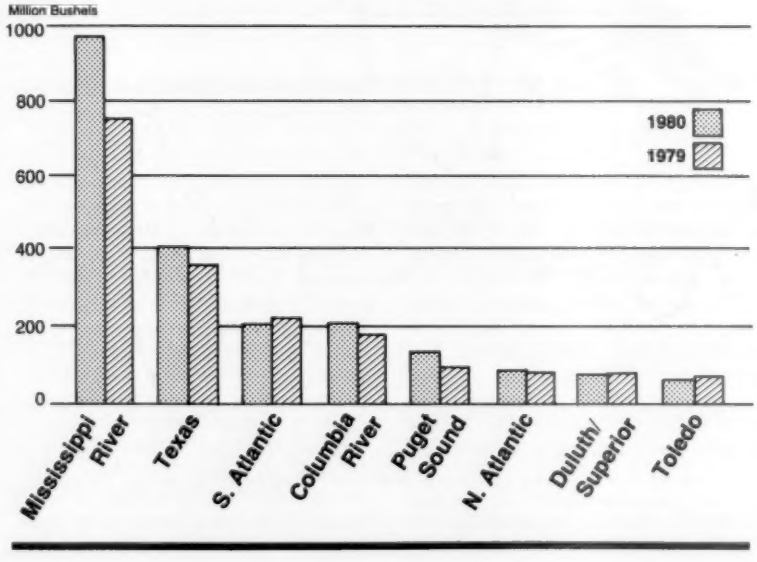
Crucially important now is the system's performance in October-November, when new-crop feedgrains and soybeans move to market. There also is the possibility of severe strains developing if rising prices prompt farmers to sell some of the stocks from last year's record crop.

The Association of American Railroads (AAR) reports that rail shipments of grains in the first half of 1980 were the largest ever—2.33 billion bushels, compared with the previous high of 2.17 billion in 1973 and 1.94 billion in the same period of 1979. In the fiscal year that ended June 30, 1980, railroads handled 53.2 percent of all export grain—the largest percentage since fiscal 1975, when flooding of the lower Mississippi boosted their share to a high 61.9 percent.

Simultaneously, grain handling capacity was enlarged by additions of new equipment.

During the year that ended July 1, 1980, railroad ownership of jumbo covered-hopper cars rose by 9,900 units to 112,600, while private ownership jumped by 17,800 to 70,700. Close to 90 percent of the U.S. grain moved by rail is now hauled in jumbo hoppers, which have 70 percent greater

U.S. Grain Exports by Port Range, First 6 Months 1980 & 1979



handling capacity than the traditional 40-foot boxcars. Additions of these jumbo hoppers, says the AAR, finally have caught up with retirement from service of obsolete boxcars.

Diesel locomotive numbers also are on the rise, totaling 28,368 units as of June 1, 1980, or nearly 1,000 more than those operating at the same time last year.

As of July 1, 1980, another 29,245 covered hoppers and 787 locomotive units were on order but undelivered.

This year also has seen improvement in traffic on the Rock Island and Milwaukee Railroads, whose bankruptcies last year and subsequent reorganizations under trusteeships led to service disruptions during late 1979 and early 1980.

The Department of Transportation reported in June that 61 percent of the Rock Island track system was back in operation, with service up to 78 percent of the pre-bankruptcy level. On the Milwaukee, 52 percent of the track was in use, and service, at 86 percent of previous levels.

Shipping of grain in unit trains also has been on the rise since lifting in April 1979 of an ICC limitation on the inclusion of jumbo covered hopper cars in such trains. During the 1978 transportation crunch, their use had been held to 25 percent of the jumbo hopper fleet in order to make more cars available to small shippers.

Unit trains of 50 to 100 cars are viewed as an efficient means of consolidating grain shipments because of savings gained on rates to shippers, turnaround time, switching costs, labor, and paperwork. Such trains have helped speed the movement of grain shipments to Mexico this year and increasingly are being used to ship grain from the Midwest to west coast ports.

Barge shipments likewise have been running at a fast pace, and barge loadings reached a new weekly high of 50,981,000 bushels in the week ending July 18.

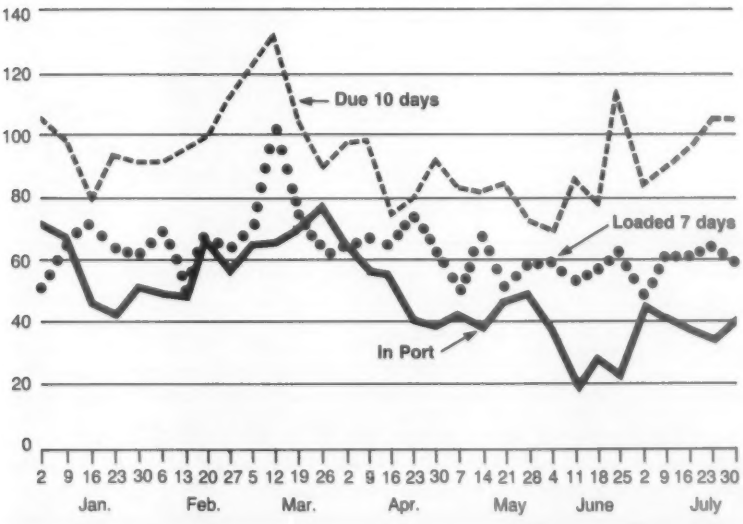
During the past decade, the waterway systems of the Mississippi and its tributaries and the Snake/Columbia Rivers have handled increasing volumes of business—up from only 14 million tons of grains and oilseeds in 1966 to around 50 million in 1978. Their share of grain shipments to ports likewise has increased in most recent years, approaching 40 percent in 1979, compared with only 20 percent in 1973.

Flexible rate structures have given barge companies more financial leeway than the periodically negotiated and Government-regulated rail rates, and demand for their services is particularly strong in heavy traffic years when the rail system is strained. Growth in fleets and handling facilities has risen apace of demand, with 1,500 new barges (1,000 for grain) put into service during 1979 alone. The fleet now includes around 11,200 open and covered dry cargo barges, nearly half of which were built between 1975 and 1979.

Shipping on the Mississippi has been restrained, however, by continuing problems with locks and Dam 26 at Alton, Illinois. This complex is located downstream from the confluence of the Mississippi and Illinois Rivers, yet is no larger than most upstream locks. As a result, it has become a major point of congestion, with delays of up to 3½ days reported recently.

Following resolution of a prolonged environmental impact dispute, construction of a new dam containing a single 1,200-foot lock began in April 1980, with completion likely in the late

Vessels at U.S. Gulf Elevators in First Half of 1980



U.S. Grain Transportation Data, Mid-April through July, 1979-80

Week ending	1980	Comparable 1979
Rail carloadings:	*Units*	*Units*
April 19	29,129	23,963
April 26	25,183	25,163
May 3	23,896	23,510
May 10	25,562	25,536
May 17	24,963	26,647
May 24	24,104	27,047
May 31	19,794	25,642
June 7	26,261	27,883
June 14	27,461	30,693
June 21	29,318	31,578
June 28	30,291	30,247
July 5	30,732	31,210
July 12	36,437	31,844
July 19	32,645	31,044
July 26	32,845	31,389
Barge loadings:	*1,000 bu*	*1,000 bu*
April 18	36,490	23,829
April 25	38,526	26,959
May 2	35,583	36,796
May 9	36,039	35,653
May 16	31,470	26,616
May 23	38,615	33,758
May 30	25,886	24,944
June 6	39,808	38,553
June 13	37,452	35,233
June 20	49,713	31,752
June 27	43,605	33,571
July 3	47,461	30,992
July 11	43,071	43,057
July 18	50,981	39,502
July 25	48,493	34,415

Source: Office of Transportation, USDA.

1980's. Also being explored is the possibility of building a second 600-foot lock to meet projected future demand and serve as a backup to the new lock.

Earlier in the season, shipping on the Columbia and Cowlitz Rivers was disrupted by volcanic fallout from the eruption of Mt. St. Helens.

Around 3.8 million cubic yards of debris and silt were deposited in the Cowlitz and Columbia, filling in the Columbia River shipping channel at points to a depth of less than 15 feet. Subsequent dredging—at an estimated cost of more than $200 million—progressed rapidly. By early July, the Columbia River channel upstream from Longview, Washington, had been dredged to a depth of nearly 40 feet, allowing shipping to return to normal. Work continues on widening the channel to its former 600 feet, with dredging expected to be completed this month, barring further inflows of volcanic fallout.

Last year, 33 percent of the U.S. wheat exports moved from west coast ports and primarily through those on the Columbia River.

Otherwise, no major problems had been reported at ports through mid-August aside from localized labor problems and periodic AAR embargoes at elevators in congested ports. Such embargoes are imposed when heavy inflows of grain and delays in arrivals of ships tax the capabilities of port facilities.

Recent embargoes at Portland and Seattle, for instance, reflect the increased traffic moving through Pacific Northwest ports owing to stepped-up shipping to the Far East and greater use of unit trains moving overland. Such trains are becoming a viable alternative to shipping commodities from Gulf ports through the Panama Canal.

According to the AAR, grain car unloadings at Pacific ports rose by 64 percent between 1978 and 1979, whereas those at all ocean ports were up only 16 percent; at Atlantic ports, 9.8 percent; and at Gulf ports, only 5.1 percent. Gulf ports still, however, handle more than half of this country's ocean port traffic.

Despite the improved situation in 1980, attention continues to focus on needs of the U.S. transportation system. This is evidenced in two pieces of legislation—the Motor Carrier Act of 1980, signed by the President on July 1, and the Rail Act of 1980, still before Congress. Deregulation is a major feature of these Acts, prompting heated debate on both sides of the issue, particularly regarding the still-pending Rail Act.

Reflecting the multifaceted concerns is the January 1980 report to Congress by the Rural Transportation Advisory Task Force, which was created in 1978 under authorization of Public Law 95-580. The Task Force purpose—as stated in the report—was to "reach beyond the short-term solutions of immediately urgent problems in order to draw a single integrated agricultural transportation policy out of a tangled web of related issues."

Among its recommendations is the formulation of a national transportation policy that will "assure the efficient movement of agricultural products and farm inputs" and take advantage of market forces wherever possible.

Other Task Force recommendations include—

- Greater Government involvement in applied research associated with agricultural transportation;
- The drafting of provisions for negotiated contracts between railroads and shippers;
- A Government-backed loan program focused on improvement of rail lines;
- Establishment by the railroads of a demonstration fleet of 500 covered hopper cars and 500 50-foot boxcars.
- Expediting the process for handling rail branchline abandonments, along with Government aid for rehabilitation of some branchlines and provisions to prevent abandonment of potentially viable lines.
- Acceleration of the construction schedule of Locks and Dam 26 and examination of the feasibility of expanding other facilities.

The common thread of the Task Force report is the pressing need for revitalization and investment in a transportation system that is essentially living for today, while postponing needed investment and repairs.

Railroads, in particular, have been a focal point of attention regarding rail-car shortages, branchline abandonment, and deteriorating quality of service. Deferred railroad maintenance reportedly totaled $5.4 billion over the past decade. Complete revitalization of the entire U.S. transportation system by the year 2000 would require an astronomical $4 trillion.

Yet railroads already are walking a financial tightrope that last year saw

Continued on page 28

Dry Cargo: Inland Towing Barges in the United States, 1975-78

Year	Number	Total capacity
	Units	*Short tons*
1975[1]	21,676	25,525,996
1976[1]	23,164	27,135,336
1977[2]	24,937	29,454,921
1978[2]	24,037	29,838,851

[1]As of January 1. [2]As of October 1.
Source: Army Corps of Engineers.

Covered Hopper Cars in Service As of January 1, 1975-80

(In thousands)

Year	Railroad owned	Shipper owned	Total
1975	155,281	64,081	219,362
1976	158,236	70,029	228,265
1977	159,924	70,145	230,069
1978	162,726	73,103	235,829
1979	165,312	80,775	246,087
1980	170,276	98,643	268,919

Source: Association of American Railroads.

Average Ocean Freight Rates for U.S. Grain Shipments, August 1, 1978-80

(In dollars per metric ton)

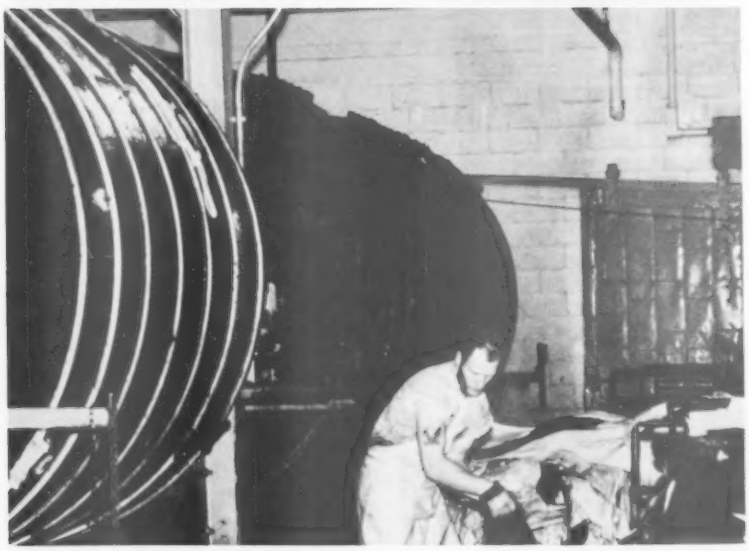
U.S. port area	Destination	Year 1978	1979	1980
Gulf	Antwerp/Rotterdam/ Amsterdam	6.30	16.25	17.25
Gulf	Japan	14.90	26.85	23.10
Pacific Northwest	Japan	14.25	20.80	21.65
Great Lakes/St. Lawrence Seaway	Antwerp/Rotterdam/ Amsterdam	15.50	24.55	30.50

Source: Ocean Transportation Division, FAS.

Spanish Farm Imports From U.S. Exceed Billion-Dollar Mark in '79

By Robert D. Knapp

Shipment of U.S. Holsteins, in top photo, being off-loaded in Spain. In bottom photo, hides in the United States being prepared for washing. Spain took $43.4 million worth of U.S. hides and skins in 1979.



Spain again achieved the status of a billion-dollar market for U.S. farm products in calendar 1979, placing it among the top U.S. farm markets worldwide. When adjusted for transshipments and U.S. shipments to the Canary Islands, Spain's imports of U.S. farm goods totaled more than $1.2 billion (c.i.f. value), compared with slightly more than $1 billion in calendar 1978.

Purchases of oilseeds and grains accounted for about 80 percent of Spain's agricultural imports from the United States. The U.S. share of the Spanish market amounted to almost four-fifths for soybeans and hides and skins, about two-thirds for feedgrains, and about one-fifth for cotton.

This year, imports of U.S. soybeans, corn, cotton, and leaf tobacco are expected to top last year's levels.

The $1.2 billion in imports of U.S. farm goods represented 32 percent of Spain's farm import bill, and accounted for about 39 percent of total imports from the United States.

Many major commodities, such as beef, poultry, butter, eggs, and edible oils, are imported only under licenses issued by the State trading authority, the General Supply Commission (CAT).

Most processed food imports are rigidly controlled and limited through global import quotas. For example, these quotas amounted to around $4 million in 1979, including quotas for canned fruits, canned meats, soups and soup preparations, and a variety of miscellaneous foods.

Consequently, most U.S. farm exports to Spain are bulk commodities—corn, soybeans, soy meal, tobacco, cotton, and hides and skins.

Last year, Spain was among the top five importers of U.S. corn and soybeans.

About 3 million metric tons of U.S. corn arrived in Spain in 1979, accounting for around 67 percent of total corn imports. Imports of U.S. soybeans reached 1.73 million tons, or 78 percent of all imported soybeans.

Significant quantities of corn and soybeans are shipped to Spain

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through Canada. In fiscal 1979, almost $150 million worth of these two commodities were delivered to Spain via Canada. On a value basis, this represented more than 28 percent of all U.S. corn and soybean exports moving through Canada.

These large imports of U.S. corn and soybeans stem from the rapid growth of Spain's livestock and poultry sector and the country's inability to meet demand for raw feed materials from domestic production.

Spain's red-meat production totaled about 1,575,000 tons last year, compared with 2,046,000 in Italy—the fourth largest producer in the European Community (EC). Spanish poultry production, at 746,000 tons, ranks close to the 818,000-ton level of the United Kingdom, the third largest EC poultry producer.

Current Spanish per capita consumption of red meat and poultry is 39 and 20.8 kilograms, respectively, up considerably from the respective 1970 levels of 30 and 9 kilograms.

However, per capita consumption of beef is considerably less than the current EC level. This, together with a comparison with meat production in EC countries, indicates room for expansion of both red-meat production and consumption.

Spain's Major Agricultural Imports, Calendar 1979

(In million dollars, c.i.f.)

Commodity group[1]	1979
Soybeans	653.5
Corn	573.1
Coffee, raw	370.5
Hides and skins, raw	233.0
Beef	168.6
Tobacco, leaf	152.3
Cocoa beans	137.9
Cotton, raw	137.6
Alcoholic beverages	133.1
Soybean meal	97.4
Pork	70.9
Cheese	65.7
Sheep and goat fibers	63.0
Grain sorghum	59.3
Chickpeas	41.4
Wheat	40.0
Furskins	31.7
Tallow	29.7
Live cattle	29.6
Sugar	27.2
Peanuts, raw	24.0
Poultry meat	22.5
Coconut or copra oil	19.8

[1]These items, amounting to $3,181.8 million, made up more than 85 percent of Spain's total agricultural imports in 1979.

Soybeans and Soybean Products. During the first quarter of this year two new soybean crushing facilities began operation in Barcelona, increasing Spain's oilseed crushing capacity substantially. As a result, Spain's soybean imports will increase while soymeal imports decrease.

This trend will be favorable to the United States because Brazil, Spain's second largest traditional supplier, prefers to crush soybeans and export end-products. Argentina's soybeans, although becoming more plentiful, have several drawbacks. Spanish crushers note that soybeans from Argentina yield less oil and have a lower-grade protein meal than U.S. meal.

Spain's soybean and soymeal imports in 1980 are expected to reach 2.8 million tons and 150,000 tons, respectively, compared with 2.4 million tons of soybeans and 380,000 tons of soymeal last year.

Feedgrains. This should be a good year for U.S. feedgrains in the Spanish market. Shipments from Argentina are down due to heavy purchases of Argentine grain by the USSR and reduced production. Although Spain may import more corn from South Africa, this country will not be able to supply enough to replace the 1.0-1.5 million tons normally arriving from Argentina.

Spanish imports of corn and sorghum this year are estimated at 4.3 million tons and 450,000 tons, respectively. This compares with 4.0 million tons of corn and 800,000 tons of sorghum imported last year.

U.S. supplies to Spain in 1980 could reach 3.7 million tons of corn and 455,000 tons of grain sorghum. This represents a favorable gain from the normal U.S. market share of 2.9-3.0 million tons of corn.

Spain's Major Agricultural Imports From the U.S., Calendar 1979

(In million dollars, c.i.f.)

Commodity group	1979
Soybeans	506.3
Corn	388.4
Soybean meal	60.6
Tallow	43.7
Cotton	29.4
Wheat	26.1
Tobacco, leaf	26.0
Hides and skins	24.4
Peanuts, raw	14.3
Poultry meat	13.1
Grain sorghum	12.8
Walnuts	11.7
Furskins	10.3
Prunes	2.1
Lentils	2.1
Sheep and goat fibers	1.7
Dry beans	1.6
Other	38.0
Total[1]	1,212.5

[1]May not add due to rounding.

Cotton. Boasting some of the world's finest cotton spinning mills, Spain is a major supplier of denim and cotton knitwear to northern Europe.

To keep the Spanish textile industry supplied with cotton, imports are fairly substantial and account for about 60 percent of the textile industry's total requirement. An average of about 300,000 bales (480 lb net) are imported every year.

The United States is the largest supplier of cotton, with an average 20-percent share of the annual import market.

Last year, the United States supplied more than 65,000 bales valued at $29.4 million.

U.S. cotton exports to Spain could top 80,000 bales in 1980 if economic conditions in the Spanish textile industry do not dramatically deteriorate.

Cotton should become increasingly price-competitive with petroleum-based manmade fibers, and there are indications that cotton's share of mill fiber output is increasing.

Imports from traditional suppliers may be lower than normal due to a variety of reasons. Cotton exports from Turkey—Spain's second largest supplier—should begin to decline as domestic mill consumption in that country increases. Political and economic instability poses questions about the ability of Chad, El Salvador, Guatemala, and Paraguay to provide the quantities supplied in the past.

Tobacco. All manufactured and leaf tobacco entering Spain is licensed by the Tobacco Monopoly, Tabacalera, S.A. Spanish imports of U.S. leaf tobacco in 1979 accounted for only 8 percent of the total market. These imports reached almost 6,000 tons valued at $26 million.

In 1979, more than 8,000 tons of cigarettes worth more than $80 million entered Spain, with the United States accounting for more than 82 percent of the market.

Prospects for U.S. tobacco sales to Spain this year are mixed. Consump-

tion and import of U.S. leaf tobacco are expected to rise, despite pessimistic prospects concerning Spain's total imports, which are estimated at 65,000 tons, down from 72,246 tons in 1979. The expected decline results from a slowdown in the consumption of leaf, the anticipated large domestic crop, and the Monopoly's desire to reduce dark-leaf stocks.

The two factors contributing to the expected rise in imported U.S. tobacco are increased output of 20-cigarette packs of U.S. brands, manufactured under license by Tabacalera, and a moderate increase in the Monopoly's own brands of American-blend.

Imports of U.S. raw tobacco may range as high as 8,000 to 9,000 tons.

Spanish imports of cigarettes are expected to decline this year to about 6,000 tons as a result of local manufacturing of U.S. brands, substantial price increases that occurred earlier in the year, and a significant price difference between imported and domestically produced U.S. brands.

Hides and skins and tallow. Spanish imports of U.S. hides and skins and inedible tallow in 1979 reached $24.4 million and $43.7 million (c.i.f.) respectively, accounting for 81 and 19 percent of these import markets.

Imported tallow is used primarily for industrial purposes—for instance, in the manufacture of soaps and detergents. Only a limited amount of edible tallow is imported for use as a supplement in animal feed rations.

Spain imports large quantities of hides and skins for manufacture into finished products. This country is one of the world's leading manufacturers and exporters of footwear, with exports totaling more than $715 million in 1979. Footwear was the country's third largest foreign exchange earner after automobiles and citrus.

However, only 40 percent of the country's raw material—bovine hides and skins—originated from domestic livestock. Most of the imported hides and skins, not only from the United States but from all suppliers, are raw hides or semiprocessed leather. Spain has an excellent tanning industry and demand for fully processed hides is not great.

U.S. exports to Spain of hides and skins and tallow have been fairly steady over the past few years. Estimates for 1980 place U.S. shipments of these commodities at about the 1979 level.

Although the Canary Islands make up two of Spain's 50 Provinces, they are not normally considered when adding up U.S. agricultural exports to Spain. The Islands are a free-trade zone and to a large extent are dependent on imports of agricultural products.

Although, Spain is a large poultry producer, the Canary Islands last year imported more than $19 million worth of frozen poultry from foreign sources, and accounted for about 85 percent of Spain's poultry imports.

The United States is the primary supplier, normally accounting for well over 50 percent of the market. U.S. poultry shipments to the Canary Islands in 1979 were valued at more than $13 million (c.i.f.). □

Spain Cracks 'Top Ten' List

Of the top 15 markets for U.S. argicultural exports–*adjusted for transshipments*—during calendar 1979, 10 topped the billion-dollar mark. The May 1980 issue of *Foreign Agriculture* ran accounts of the calendar 1979 billion-dollar markets (10 in all) based on U.S. Census Bureau data—*not adjusted for transshipments.*

The major change in the two lists is that Spain (see accompanying article) cracks the Top Ten when adjusting for transshipments, while Canada drops from fourth to 12th. In this list, U.S. farm exports to Spain in 1979 reached $1.07 billion, placing Spain as the ninth largest U.S. farm market worldwide. When not counting transshipments, U.S. agricultural exports to Spain amounted to $930 million, the 12th largest U.S. farm market.

Japan and the Soviet Union ranked 1-2 in both categories. Top Ten countries moving up in status, when adjusting for transshipments, were: West Germany, fifth to third; South Korea, sixth to fifth; the United Kingdom, eight to sixth; and Italy, 10th to seventh.

Besides Canada, countries that dropped in the rankings were: the Netherlands, third to fourth; Taiwan, seventh to eighth; and Mexico, ninth to 10th.

In both cases, the top 15 markets accounted for about two-thirds of U.S. farm exports that totaled $34.7 billion in 1979. Japan alone accounted for slightly more than 15 percent of all U.S. agricultural exports last year. □

Top 15 Markets for U.S. Farm Exports, CY 1979 (Unadjusted for Transshipments)

Rank	Country	Total unadjusted for transshipments	Share of total
		1,000 dol.	*Percent*[1]
1	Japan	5,255,294	15.1
2	Soviet Union	2,854,896	8.2
3	Netherlands	2,555,521	7.4
4	Canada	1,649,973	4.7
5	West Germany	1,492,380	4.3
6	South Korea	1,440,687	4.1
7	Taiwan	1,073,607	3.1
8	United Kingdom	1,056,510	3.0
9	Mexico	1,023,484	2.9
10	Italy	1,004,822	2.9
11	China	990,159	2.8
12	Spain	930,238	2.7
13	France	725,406	2.1
14	Poland	651,371	1.9
15	Egypt	600,589	1.7
	Other	11,440,148	32.9
	Total	34,745,385	100.0

[1]Does not add up to exactly 100 percent, due to rounding.

Top 15 Markets for U.S. Farm Exports, CY 1979 (Adjusted for Transshipments)

Rank	Country	Total, adjusted for transshipments	Share of total
		1,000 dol.	*Percent*
1	Japan	5,288,044	15.2
2	Soviet Union	3,000,116	8.6
3	West Germany	1,954,700	5.6
4	Netherlands	1,888,221	5.4
5	South Korea	1,440,687	4.1
6	United Kingdom	1,203,740	3.5
7	Italy	1,102,072	3.2
8	Taiwan	1,073,607	3.1
9	Spain	1,071,968	3.1
10	Mexico	1,025,684	3.0
11	China	997,459	2.9
12	Canada	804,223	2.3
13	France	757,931	2.2
14	Poland	666,181	1.9
15	Egypt	600,589	1.7
	Other	11,870,163	34.2
	Total	34,745,385	100.0

Saudi Farm Imports Head Toward $4.5 Billion

By John B. Parker, Jr.

As its petroleum export earnings continue to bound upward—toward $100 billion in 1980—Saudi Arabia also is gaining prominence as an agricultural importer. In calendar 1970, it imported only $275 million worth of agricultural products; this year, it may buy $4.5 billion worth or 50 percent more even than imports in 1979.

The United States is one of the beneficiaries of this trade expansion, although its sales have not kept pace with total Saudi imports, in part because of the export subsidies offered by a number of competing suppliers. Consequently, U.S. farm exports to Saudi Arabia this year are seen rising to $550 million from $325.5 million in 1979, but U.S. share of the market probably will drop to around 12 percent from 16 percent in 1979.

Still, only Egypt—a prospective outlet this year for $700 million worth of U.S. farm products—ranks ahead of Saudi Arabia in the increasingly important U.S. markets of the Middle East and North Africa.

In terms of total agricultural imports, the country's rapid ascendance is even more impressive. Saudi Arabia is now the No. 1 agricultural importer among the Organization of Petroleum Exporting Nations (OPEC), followed at a distance by Venezuela's prospective 1980 imports of around $2 billion. China and India—with 1.7 billion people, compared with Saudi Arabia's 10 million—together probably will not equal Saudi Arabia's agricultural imports in 1980. And only a dozen or so nations now rank ahead of Saudi Arabia as agricultural importers.

Clearly, it is money that has made the difference between Saudi import needs of a decade ago and those of today. Then, the import bill was largely for rice, mutton, live animals for slaughter, certain beverages, and dairy products. Today, rising petroleum revenues are allowing Saudi Arabia to import the entire supermarket—the staples, the frozen poultry, high-quality beef, and other meats; dairy products; soft drinks; fresh and canned fruits and vegetables; and a potpourri of convenience foods and snack items. Consumer-ready products alone make up about half the agricultural import, compared with 10-15 percent in most developed-country markets.

Accentuating these trends are transformations in the domestic marketplace that have both stimulated consumption and promoted Western-style shopping and eating. Government subsidies on domestic sales of various foodstuffs have bought some major price reductions since 1978. Retailing, once dominated by small shops, now is the domain of the supermarkets, about 20 of which have opened in major cities during the past 5 years. And rapid adoption of refrigeration has revolutionized food marketing and consumer buying habits.

Much of Saudi Arabia's food and agricultural import has gone toward improving the diet of the country's 7 million permanent residents. However, large quantities also are supporting an expanding expatriate population that includes some 3 million immigrant workers, whose caloric needs are higher than those of a population cross-section.

Three major metropolitan areas of Saudi Arabia account for most of the demand for imported agricultural products. Jeddah, the largest city with 1 million residents, is the leading importer. Riyadh's population also is fast approaching the million mark, but it relies more heavily on domestically produced products, including wheat from the important grain area north of the city. Damman, Al Khobar, and Dhahran are the leading cities of a continuous urban area in Eastern Province. This area has a special preference for basmati rice and greater demand for agricultural products from Asia than is the case for Jeddah.

Smaller towns likewise have become growing agricultural importers—particularly of wheat, rice, mutton, and beverages—as rural areas also reap the benefits of Saudi Arabia's petroleum bonanza.

Simultaneously, Saudi Arabia is tackling the problem of its growing reliance on agricultural imports—which now satisfy about 75 percent of total consumption needs. New agribusiness ventures that involve some Saudi role in preparing or producing foods are encouraged. Government subsidies and easy credit policies, for instance, have stimulated investment in dairies and poultry operations. Huge Government subsidies also are going toward boosting grain production, with wheat output, for instance, supported at the phenomenal price of $38 per bushel. Even with this subsidy—and a projected gain this year of 25 percent to 250,000 tons—wheat production will fall further behind demand.

Saudi agricultural imports this year, meanwhile, appear likely to register their biggest net gain so far as they head toward $4.5 billion from the $3 billion recorded in 1979. All major import categories are expected to show gains, ranging from 5 percent forecast for rice to 56 percent for sugar.

This anticipated growth follows on the heels of a strong 1979 showing, when total agricultural imports jumped $700 million above the 1978 level. Imports of cereals and preparations, for instance, rose 21 percent in value to $740 million last year as their tonnage jumped from 1.6 million tons to 2.5 million. Lower prices for rice and feedgrains in the world market, com-

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bined with Saudi subsidies on grain feeding of livestock spurred trade. Also important were the export subsidies offered on products such as European Community wheat, flour, and barley.

Wheat imports alone reached nearly 700,000 tons in 1979, according to arrivals in port areas of Jeddah and Damman, with the United States and Australia each shipping over 200,000 tons.

Feedgrain imports soared from 513,000 tons in 1978 to more than 800,000 last year, highlighted by a 350,000-ton increase in barley imports. While the United States has made little headway in tapping this lucrative feedgrain trade, France used export subsidies to boost its share of the barley market to around 150,000 tons last year. Australia delivered another 100,000 tons.

Conversely, corn imports last year dropped about a third below their 1978 peak of 304,000 tons, largely in response to smaller arrivals from the Sudan. Thailand is the major supplier of Saudi corn imports.

Rice imports, at a record 496,000 tons last year, were more than triple the 1977 level as rice continued to be the single most important agricultural import in terms of value. Since 1977, such imports have quadrupled in value to $287 million last year. About 183,000 tons, or 37 percent of the 1979 rice imports, came from the United States, while Thailand and Pakistan each supplied over 100,000 tons.

Saudi imports of soybean meal may reach 200,000 tons in 1980—four times the 1978 level. The United States and Brazil are major suppliers of the meal import growth this year.

Among the meat items, poultry meat was one of the fastest gainers last year—reaching a new peak of 127,000 tons, or double the 1976 level. Another spurt is seen for 1980. Hungary and France each sent over 30,000 tons of frozen poultry to Saudi Arabia last year, compared with only 3,800 tons shipped by the United States. However, the probable diversion of Hungarian and Bulgarian shipments from Saudi Arabia to the USSR has opened the door to larger U.S. sales in 1980.

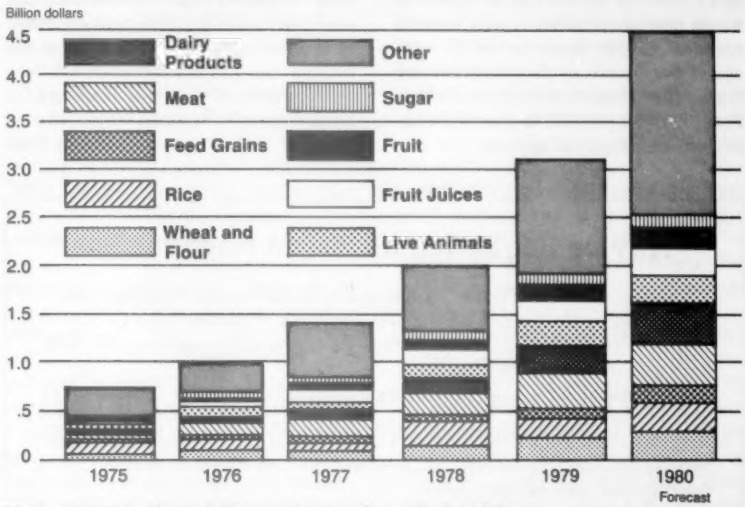
Beef imports reached 29,000 tons last year, compared with only 19,000 in 1978, with larger arrivals from Australia, New Zealand, Argentina, and the United States. Mutton imports totaled 31,000 tons, or nearly triple the 1977 level.

Saudi imports of live animals also continued to rise, spurred in part by Government subsidies on animal feed. Takings of live sheep and goats reached almost 3 million head valued at about $200 million last year, compared with only 1.3 million head in 1976. Australia now provides about one-third of the sheep imports. Somalia, Ethiopia, The Sudan, Turkey, and Romania are other important suppliers. Imports of live cattle rose to about 72,000 head last year from 64,000 in 1978, with larger purchases from Australia and Eastern Europe offsetting a decline in imports from Africa.

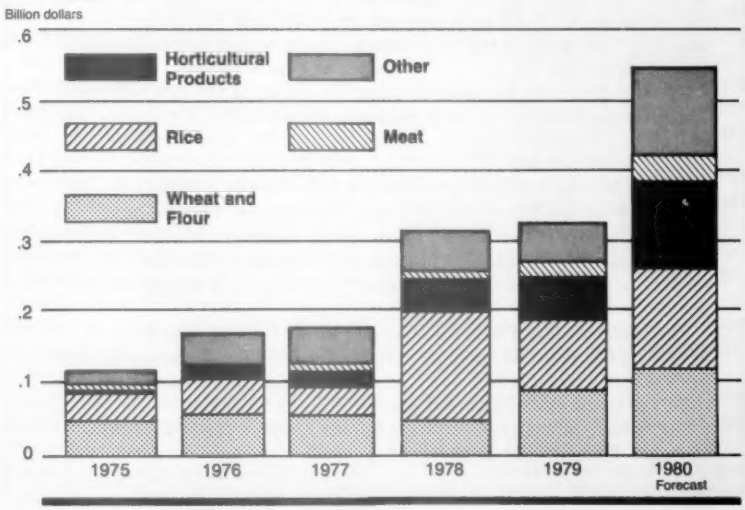
Dairy product imports continue to rise rapidly, despite the proliferation of new dairies near Saudi cities. Imports of nonfat dry milk rose from 48,000 tons in 1978 to around 87,000 valued at $140 million in 1979. The Netherlands provided more than one-third of these imports, followed by France and Denmark. Milk can be purchased for $2.40 per gallon in grocery stores—a price similar to that for drinking water.

Cheese imports this year may rise

Saudi Arabia's Agricultural Imports



U.S. Agricultural Exports to Saudi Arabia



10,000 tons above the 1979 level of 32,000, with 4,000 tons expected to be supplied by the United States. Butter imports soared from 9,000 tons in 1977 to about 28,000 in 1979; Australia and Denmark are the leading suppliers.

One of the most spectacular import growth rates has been recorded in fruit juices, whose value has shot from $12 million in 1975 to $222 million last year. Japan and Taiwan now provide over half of such imports. However, purchases of U.S. fruit juices may double in 1980.

Among the fruit imports, purchases of bananas soared to 171,000 tons in 1979—nearly triple the 1977 level—while those of oranges doubled between 1975 and 1979 to 108,000 tons. Morocco, Jordan, Egypt, Gaza, and Spain are the leading suppliers of Saudi orange imports. Apple imports reached 83,000 tons in 1979, with about one-fourth of this trade coming from the United States. Lebanon, France, Italy, and Chile are other important suppliers of apples.

Following a virtual standstill in growth last year, U.S. agricultural exports to Saudi Arabia are picking up once again, with 1980 shipments likely to approach $550 million. In contrast to the steady upward thrust of total Saudi farm imports, U.S. sales there since 1975 have tended to grow in spurts followed by temporary stagnation—reflecting in part the intense price competition in this market. Use of export restitutions by other suppliers, such as the EC with its subsidies on grain and poultry products, has put the United States at a disadvantage, as have high—and rising—transportation costs.

These difficulties are mirrored in a U.S. farm market share that so far has failed to exceed 24 percent and totaled only 16 percent in 1979. Should the trade forecasts for 1980 prove correct, U.S. share could decline to about 12 percent.

Shipments of rice—the leading U.S. farm export to Saudi Arabia—should rebound at least partially from their poor 1979 showing of $95.7 million. However, the export projection of around $140 million still is under the record $151.3 million worth of U.S. rice shipped in 1978. Lower world prices accentuated the subsequent decline in U.S. exports, but tonnage also was down sharply last year to 185,000 tons from 237,000 in 1978.

Through the first 6 months of 1980, U.S. rice exports remained behind the 1978 pace, and the final sales outcome appears to hinge on availabilities of basmati rice from Pakistan—leading U.S. competitor in this market. Some disruptions in distribution of rice from warehouses near Jeddah to customers in Yemen may have contributed to the early-season slowdown.

U.S. shipments of wheat and flour are seen rising above $100 million for the first time, which would put Saudi Arabia in second place next to Egypt among Arab markets for these products. The current forecast for 1980 of $118 million compares with a record $87.5 million worth shipped last year and is triple the 1978 showing of $46.3 million. In contrast to the sluggish performance for rice, U.S. wheat and flour sales were up sharply in early 1980.

A special market exists in Saudi Arabia for U.S. wheat flour with a specified ash content. This has kept flour sales high, despite the recent opening of three flour mills in Saudi Arabia. U.S. exports of wheat flour to Saudi Arabia during October-March of fiscal 1980 reached 161,000 tons—double the level for the first 6 months of fiscal 1979.

U.S. exports of horticultural products to Saudi Arabia this year are forecast at $125 million, against $64 million in 1979. (Among the gainers of recent years have been apples, grapes, fresh pears and peaches, and canned fruits and vegetables.)

U.S. meat exports to Saudi Arabia could approach $40 million in 1980, against only $19.3 million last year, largely as a result of an import boom in frozen poultry.

Saudi Arabia also is one of this country's top export markets for a long list of U.S. processed foods. Last year, it was the leading U.S. export market for peanut butter, honey, pancake mix, canned beans, sauces, canned mushrooms, and canned peas. It was the second major outlet for potato and corn chips and third for apples and bakery products. □

Advice Requested on Trade Negotiations

The International Trade Commission will hold public hearings this fall regarding the impact on the U.S. economy of further cuts in U.S. import duties. The interagency Trade Policy Staff Committee also will hold public hearings at that time.

The request for advice represents a contingency, rather than specific plans for negotiations. It follows an August 8 notice in the *Federal Register* stating the U.S. intention to participate in international trade negotiations and indicating by tariff number the items on which concessions may be considered.

Such negotiations are authorized under Section 124, of the Trade Act of 1974; this authority expires January 3, 1982. Until then, U.S. duties can be cut by as much as 20 percent, provided that the reduction—added to cuts made in the Multilateral Trade Negotiations—do not exceed 60 percent for items with duties of over 5 percent.

No reduction may be made without the advice of the International Trade Commission as to the probable economic effect. The Commission has up to 6 months to provide its advice, but has been asked to proceed more quickly.

Only a few agricultural products are listed in the *Federal Register* for review by the International Trade Commission. The published list does not, however, include all products on which concessions would be legally possible. Subsequent notices and requests for advice with respect to other items may be made if the prospect of a negotiation warrants doing so.

The International Trade Commission also has been asked for its advice on the possible economic effect of extending eligibility for duty preferences granted under the Generalized System of Preferences (GSP) to items on the list that are not already eligible.

For further information, contact Robert Harper, Trade Relations Division, FAS; telephone 447-7707.

Ireland Must Maximize Own Resources in '80s To Make Further Agricultural Gains

By Margaret A. Mason

The Irish farm sector's economic growth, which took off in 1973 when Ireland acceeded to the European Community, turned down in 1979 and the outlook for 1980 is not promising. However, farmers hope to make some advances in the next decade by making better use of existing resources—physical, political, and economic—using as a springboard the strong base that resulted from Ireland's EC membership.

During the past 7 years, Ireland's increases in farm income and gross agricultural output (up by 3 percent a year) stemmed largely from improvements in the farm sector's physical plant, made possible with funds provided by the EC. In 1978, for example, Ireland paid £42 million into the EC treasury and received in return £423 million—a sum including sizable allotments for capital farm improvement and training programs.

Since 1973, Ireland has reclaimed 500,000 acres of land, increased tillage by 150,000 acres, doubled farm use of nitrogen, and invested £500 million (at 1980 prices) to improve existing farm buildings and construct new ones.

EC funds made it possible for Irish farmers to implement other improvements and to take advantage of training that honed their knowledge of sophisticated marketing techniques. EC grants also enabled farm cooperatives to strengthen their operations and widen their services.

Between 1976 and 1979, the Irish invested £900 million in gross capital formation, of which £450 million is net capital formation and another £450 million replacement of depreciated capital stock. As there was almost no increase in livestock herds, much of this investment represents modernization rather than expansion.

Furthermore, Irish farmers also benefit from the EC Common Agricultural Policy (CAP), which protects their products from non-EC competition while supporting farm prices. In fact, many farmers believe the CAP to be a mainstay of Irish agriculture. An Irish Farmers' Association (IFA) spokesman recently credited the CAP with holding the Community together economically and fostering European and world peace, although this now seems somewhat paradoxical in light of the CAP's present financing difficulties.

The CAP also buffers the Irish agricultural sector from much consumer criticism over higher food prices as the CAP lays most of the cost against non-Irish consumers. It is estimated that for every £100 gained by Irish farmers from uniform price increases under the CAP, only about £30 comes from Irish nonfarm consumers, while £70 comes from outside Ireland.

In addition to the advantages accruing from EC membership, the Irish agricultural sector is strengthened by several natural advantages that give farmers a competitive edge over their EC partners. Ireland has a near perfect climate and rainfall pattern that combine to produce lush pastures, thereby cutting livestock production costs and reducing the need for expensive inputs. Ireland also claims to have the world's highest barley yields.

Expansion of capital equipment being a recent phenomenon for Irish farmers, they remain behind their European counterparts in capital intensity, although much progress has been made through recent investments. Yet this situation puts them at a disadvantage in terms of production efficiency for many agricultural commodities where climate or other natural comparative advantages do not exist.

Rising energy costs and the geometric increase of other input costs could hit Irish farmers hard. They are particularly vulnerable to a situation of restricted demand and increased competition, as shown by their recent loss of bacon sales on the U.K. market to the Danes, who—with their more efficient production and marketing systems—can obtain a higher price for their products.

Further funds for improvement in infrastructure are unlikely to come from the EC or the Irish Government, so gains in productivity must come from within the existing farm structure. There is some reason to hope this can be done.

In the normal course of events, price rises would bring improvements in production efficiency. However, for the past 7 years, Irish farm prices rose rapidly but farm efficiency improved only minimally. With the current leveling of prices, farmers will be forced to make improvements but without spending large sums of money.

For example, in the livestock sector—where feed and fertilizer use are expected to show little or no growth—much can be accomplished by improving grassland management techniques. The introduction of improved plant varieties and breeding methods also can be accomplished at relatively little cost.

These and other similar changes could help boost Ireland's average per cow milk production (at 700 gallons a year the lowest in the EC) and bring into the productive economic sector the large number of Irish farmers (estimated at about 50 percent of the farm population) who now make no significant contribution to Ireland's gross agricultural output.

Milk is the second most important agricultural product in Ireland, after cattle. Together they account for 70 percent of production: 40 percent cattle and 30 percent milk, respectively.

Yet these products received price rises of only 4 percent under the 1980 CAP price increases.

With increasing levies on milk production, most Irish agricultural

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economists estimate farmers' money income will drop 25 percent this year. Expansion of herds and improved efficiency are necessary to counteract these pressures.

There is an excellent chance that improvement can be made in this sector as facilities exist on many farms for handling larger stock numbers, and milk output per cow can be raised by better management practices.

An organizational strength of the Irish agricultural base, according to some observers, is the growing Irish interest in regional development. It has been said for some time that such a policy is needed if coordinated development is to be achieved on a countrywide basis. Said to be needed particularly are land reform measures, changes in policies dealing with the social structure of the agricultural sector, and extension of agricultural advisory services.

Many organizations—the State-sponsored National Economic and Social Council, for example—have long advocated regional development and are now getting an attentive hearing. The Council believes that regional development must be strengthened and national targets broken down on a regional basis so that individual production plans can be linked into a comprehensive whole.

Also gaining prominence is the argument that the Government should take a more aggressive role in regional planning, especially in connection with the West of Ireland Development Package under discussion in the EC Commission.

The western region is Ireland's most unproductive area, and is commonly used to characterize Irish agriculture, giving the impression that the entire sector is depressed and inefficient. This is not the case, however, and the director of ACOT (Council for Development in Agriculture)—an organization newly established in response to the demand for more readily accessible advisory services—sees the lack of education in the region as the main barrier to development. He believes ACOT can do much to lift this barrier.

Irish farm leaders also maintain that agricultural policies, which directly address commodity production, are more effective than those aimed at infrastructure improvements. They believe social aims are best achieved through sound economic and agricultural policies.

Two-year old Irish breeding hoggets being moved to new pasture.

The country's politicians are paying attention to the suggestions being broached by the farm sector. This is not strange in view of the role agriculture plays in the country's economy. It creates about one-fifth of Ireland's gross national product and accounts for about 20 percent of the work force.

Irish farmers have always been active in politics, but a recent survey by the IFA reveals they are growing in sophistication. To offset the larger number of urban voters, farmers often pay more attention to political affairs in constituencies where one or other party has a slim majority, helping to vote the party of their choice into power by a more solid majority.

For example, rural voters are being given much of the credit for the election of Charles Haughey as Ireland's Prime Minister.

Also, many farm benefits received by Irish agriculturists in the past were wrung from the Community by a Continental farm lobby. It is now apparent that this lobby's role is being watered down by the growing strength of Continental consumer lobbies. Compared with the European group, the Irish lobby is much stronger, reflecting agriculture's importance in the Irish economy.

EC enlargement may force the Community to reduce the number of programs it will make available to Ireland and cut back on financing of existing ones. In any event, Ireland may have difficulty finding the funds to participate in a number of EC programs since they normally require a 3:1 national-to-EC funding ratio.

To date, Ireland has participated in 290 EC projects, of which 52 were completed in 1978, two were abandoned, and 235 are in the pipeline. Ireland's record of completed Guidance Scheme projects is relatively poor, with only Italy having a smaller number.

There are at least eight EC schemes currently in operation or planned for immediate implementation in Ireland: Two educational programs, a dairy conversion scheme, the butter subsidy, the Western Ireland Drainage Program, a plan to improve conditions in disadvantaged areas, a farm modernization scheme, and a farm retirement program.

In the future, competition for EC project grants will be stronger in view of the state of the economies of the three countries applying for EC membership, and Ireland's farmers may have to learn to cope without this assistance.

Irish farmers may require some time to adjust their expectations to the facts as they now exist. Some farmers are gloomy, but there are convincing indicators that Ireland is more than able to meet the challenge and that whatever changes are made will likely improve the sector's efficiency and productivity. □

Portugal's Bad Farming Year Boosts Agricultural Imports From U.S.

A variety of political, weather, and economic factors in 1979 caused a slump in Portugal's crop production and a rise in its agricultural imports. Among the countries benefiting from the rise was the United States, whose exports to Portugal reached a new peak last year.

Helping to slash Portugal's agricultural output were adverse weather in many parts of the country, uncertainties over the agrarian reform program, and dissatisfaction with some prices. To replenish stocks and satisfy consumer demand for certain end products, the Portuguese pushed to record levels combined imports of wheat and feedgrains, as well as oilseeds and meals.

These commodities are among those provided in large volume by the United States, reaching $484.9 million in 1979, 30 percent greater than the previous year's $371.5 million, and 17 percent over the previous record of $413 million in 1977.

In marketing year 1978/79 (July-June), the United States supplied 2.60 million metric tons of Portugal's grain imports of 3.13 million. The U.S. shipments included 548,628 tons of Portugal's total wheat imports of 813,175 tons; all but 11,735 tons of its corn imports of 1.96 million tons, 50,272 tons of grain sorghum imports of 219,631 tons; and 56,122 tons of rice imports of 97,552 tons.

Portugal produces most of these grains but production suffered from unfavorable weather and land ownership problems.

Portuguese oilseed production is confined to sunflowerseed and safflowerseed, with olives providing a third source of vegetable oil. Combined production of the two seeds represent only 3 percent of the country's total oilseed requirements.

Higher sunflowerseed producer prices encouraged farmers to plant a larger area in 1979 but the poor weather reduced yields and lowered outturn.

In recent years, the United States supplied much of Portugal's imported oilseeds, mainly sunflowerseed, safflowerseed, and soybeans. This again was the case in 1979 when the United States supplied about 80 percent of the soybean imports and 75 percent of the sunflowerseed.

In 1979, Portugal imported 542,000 tons of oilseeds (excluding copra and palm kernels), including 226,000 tons of soybeans and 171,280 tons of sunflowerseed.

Portugal's demand for sunflowerseed oil will continue strong in 1980, and its sunflowerseed imports probably will continue to rise, with the United States remaining the principal supplier. Portugal's soybean imports also are expected to roughly equal the same volume in calendar 1980 and the United States will most likely provide a significant share.

Shelled peanut imports (actual deliveries to the Portuguese crushing industry) in 1979 rose 29 percent from the previous year's level to 49,310 tons, and the United States shipped nearly half of the total. This country is seen remaining Portugal's largest supplier of peanuts in 1980, but total shipments may be reduced because of an expected drop in imports caused by their relative high price. But this drop will be offset by larger U.S. exports of sunflowerseed and safflowerseed.

Portugal's combined oilmeal imports in 1980 are expected to rise 31 percent above the previous year's total. In 1979, oilseed meal imports totaled 208,851 tons, 3 percent less than in the previous year. Of the nearly 170,000 tons of soybean meal Portugal imported in 1979, 121,000 tons (71 percent) came from the United States.

Peanut meal imports totaled 40,557 tons in 1979. Senegal, Sudan, and India were the principal suppliers.

Indications are that Portugal's tobacco imports rose slightly above 8,600 tons in calendar 1979 but the volume of tobacco shipments from the United States continued to sag.

Portuguese data indicate minimal imports of U.S. tobacco in 1978, but U.S. data show no such exports to Portugal in 1978 or 1979.

High-quality U.S. cotton required by Portugal's textile industry puts a premium on its use.

In marketing year (MY) 1977/78, the United States was Portugal's leading supplier of cotton, with 132,000 bales (480 lb net), 17 percent of total imports. In MY 1978/79, Portugal's raw cotton imports totaled 471,000 bales, down nearly 13 percent from the 1977/78 volume. The United States was the fifth leading supplier in terms of volume.

The value of U.S. cotton exports to Portugal in 1978/79 amounted to $9.3 million, and in the first 5 months of 1979/80 totaled $20.4 million.

The U.S. position may erode further in the immediate future as Portuguese mills step up their use of lower priced cotton from competing countries.

Marketing year 1979/80 raw cotton imports are estimated at 495,000 bales, up slightly from the preceding year's total. In terms of deliveries to Portuguese textile mills during the first 5 months of 1979/80, Israel led with 44,000 bales, followed by Paraguay (25,000 bales), and the United States (22,000 bales).

Only two major commodities—olive oil and wine—recorded substantial production gains in 1979.

Unfavorable weather also was blamed for one of the smallest almond crops of the 1970's. Fig production failed to realize its full production potential despite ideal weather conditions because the number of trees is declining and their productivity is waning.

In the livestock sector, meat and dairy output continued to trend upward in 1979. But beef production gained little because soaring consumer prices softened demand and diverted consumers to other meats. These included poultry meat and pork whose outturns rose appreciably—10 and 6 percent, respectively from 1978's. — *Based on report by Richard T. McDonnell, U.S. Agricultural Attaché, Lisbon.* □

Chinese Farm Leaders Complete Tour in U.S.

Livestock, crop improvement, and farm management were primary interests of an 11-man Chinese delegation to the United States in July—the highest level agricultural team to visit this country from China.

Minister of Agriculture Huo Shilian and his delegation viewed American agriculture from coast to coast during the 2½-week tour—reciprocal to the 1978 visit to China of U.S. Secretary of Agriculture Bob Bergland.

The delegation met with Secretary Bergland and other U.S. officials in Washington before embarking on an intensive review of agriculture in six states. They saw broiler and swine operations in Georgia; corn, soybeans, cattle, and hogs in Illinois and Missouri; wheat farming anf forestry in Colorado; horticulture and cotton in California; and sugar, pineapple, and fish farming in Honolulu.

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1. China's Minister of Agriculture Huo Shilian at peach harvest near Fresno. near Fresno, Calif.

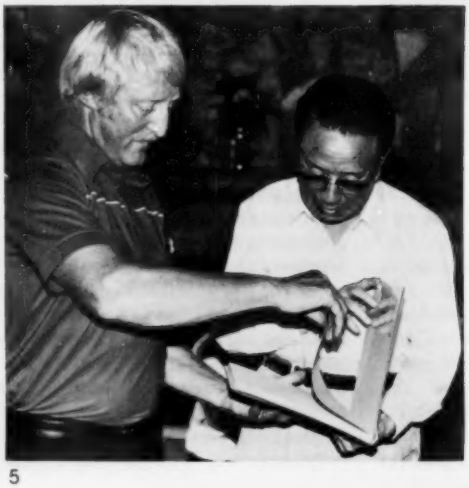
2. Inspecting the meat counter in an Atlanta supermarket are Li Youjiu, Vice Minister of Agriculture, and Huang Yongning of the Ministry's Bureau of Foreign Affairs.

3. Thomas C. Evans, forest supervisor, takes over as guide in the White River National Forest, Colo.

4. Vice Minister Li and interpreter Pan Shaozhong take time for local television during wheat harvest at Byers, Colo.

5. Farm manager Glen Klippenstein hosts at Glenkirk Farms, Maysville, Mo.

6&7. Delegation views broiler production from start to finish at integrated operation near Baldwin, Ga. With birds in hand are Mr. Huang, Chairman Tie Ying of the Standing Committee of the Zejiang Provincial People's Congress, and Vice Minister Li; looking on is Du Runsheng, Vice Chairman of China's National Commission on Agriculture. Charles Liu, USDA agricultural economist from Washington, D.C., views finished product with Chairman Tie and Minister Huo.



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U.S. Agricultural Exports To Central America Continue To Climb

By Larry Senger

Despite last year's revolution in Nicaragua, current unrest in El Salvador, and changes in Panama resulting from the renegotiations of the U.S.-Panama Canal Treaty, U.S. agricultural exports to Central America[1] grew 12 percent last year, rising to $257.5 million. During the previous 2 years, the value of U.S. agricultural exports to the region gained 8 percent and 16 percent.

U.S. farm imports from the region have been more than $1 billion for at least the past 3 years, mostly coffee and tropical products.

In terms of increased U.S. agricultural sales to the region, the upcoming years will be critical ones. When greater stability returns to El Salvador, Nicaragua, Guatemala, and Honduras, the important work of economic development, as well as trade and market development will be able to move faster.

However, regardless of political uncertainties, Central American countries will continue to be of great importance to the United States because of their proximity and long history as U.S. trading partners.

The United States has traditionally been Central America's largest agricultural supplier, usually accounting for around 40 percent of the region's farm imports.

This percentage is probably much higher if export transactions involving the intraregional re-exports of U.S. commodities are considered.

Major U.S. food products there are bulk commodities, such as wheat, wheat flour, corn, and other grains as well as soybean meal, soybean oil, and tallow.

In 1979, these items accounted for two-thirds of U.S. farm exports to the region, with wheat and wheat flour alone accounting for 30 percent. Figures for the previous 2 years were comparable.

U.S. agricultural items showing the most noteworthy gains in volume during 1979 were soybean oil, cake, and meal. Soybean oil exports almost doubled last year, rising from 13,386 metric tons in 1978 to 25,540. Meanwhile, soybean cake and meal exports grew 31 percent from 56,253 tons in 1978 to 73,501.

The composition of U.S. agricultural exports to the Central American countries is typical of U.S. farm shipments to most countries with lower per-capita incomes, in that, most of the bulk commodities are for human consumption.

However, livestock production in the area is becoming increasingly important, resulting in greater demand for imported feedgrains and soymeal.

The United States is also the region's largest agricultural market, and overall, the United States is a large net importer of agricultural goods from Central America.

In 1979, U.S. agricultural exports to the region were valued at $257.5 million while farm imports totaled almost $1.6 billion; in 1978, exports came to almost $230 million as imports reached almost $1.2 billion. Traditionally, almost half of U.S. imports from Central America have been tropical products such as coffee, bananas, and sugar. Meat imports under provisions of P.L. 88-482 also have become important trade items.

As long as Central America remains essentially a less developed region, U.S. farm exports there will continue to consist mainly of grains and tallow as well as soy and vegetable oils. Long-term prospects for U.S. export expansion to the area—increases not resulting from poor weather and lost crops, but of stronger, more prosperous economies—are dependent upon the success of development efforts in the region.

The United States is helping the Central American economies in numerous ways. Since 1954 when P.L. 480 was passed, the United States has shipped almost $180 million worth of food-aid to that region under Title II grants. In fiscal 1979 alone, these grants totaled nearly $10 million, with about one-third going to Guatemala, the largest recipient.

Donations of wheat flour, wheat soya blend, corn soya mix, and nonfat dry milk (NFDM) have accounted for 47 percent of U.S. food aid to the region, with wheat soya blend and wheat—the two most important items—accounting for 14 and 13 percent, respectively.

In addition to Title II grants, concessional sales of agricultural commodities under Title I have been made to Guatemala, Nicaragua, El Salvador, and Honduras. Their combined value, from 1954 when the program was begun, to the end of fiscal 1980 will be around $33.5 million.

In fiscal 1979, Honduras purchased nearly $2 million in Title I commodities. Arrangements of the purchase of an equivalent amount for fiscal 1980 were reached in July of this year. El Salvador has purchased $3 million worth of goods under Title I in the present fiscal year.

Also for fiscal 1980, $17.6 million worth of commodities on concessional terms have been made available to Nicaragua to help meet war-induced food shortages.

Concessional sales and food-aid grants are intended to contribute towards the developmental process of these countries by freeing domestic funds for investment to modernize and strengthen local agriculture and industry.

Another U.S. program to encourage economic development in less developed countries is the Generalized System of Preferences (GSP). This

[1]Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica plus Panama. Belize, a member of the Caribbean Common Market, is not covered in this report.

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program allows imports of selected industrial and agricultural products from less developed countries to enter the United States duty free. By boosting exports, these countries can increase their foreign exchange earnings and, consequently, their ability to import needed consumption and capital goods—necessary inputs for economic development.

Since the GSP began in 1976, each Central American nation has exported considerable quantities of agricultural goods to the United States under its provisions. The value of GSP imports by this country reached nearly $78 million in 1977.

The largest of these agricultural items have been sugar and sugar products, which accounted for 80 percent of GSP farm imports from Central America in 1977 and 49 percent in 1978.

Other important GSP imports are banana products, fresh vegetables, fruit products, cocoa butter, house plants, flower seeds, and live birds.

Contributions by the United States towards development goals in Central America are augmented by various activities carried out by the U.S. Department of Agriculture and the Agency for International Development (AID) to help develop appropriate agricultural techniques for the region.

Because Central American countries are basically agrarian, it is necessary to stimulate their agricultural sectors if economic development is to occur.

Towards this end, Central American governments are investing heavily to modernize their agricultural sectors. Costa Rica spent about $22 million last year on agricultural machinery. U.S. exports of food processing and packaging machinery

U.S. Agricultural Exports to Central America and Panama, 1978-79

(In thousands of dollars)

Item	Wheat, wheat flour	Corn	Other grains, grain products	Soybean cake and meal	Soybean oil	Tallow and grease	Fresh fruit, veg. and prep.	Sugar and tropical products	Other	Total
1978:										
Costa Rica	12,092	573	3,427	2,359	290	348	1,706	2,835	6,571	30,201
El Salvador	15,227	8,388	1,518	4,008	275	8,759	920	1,202	6,686	46,983
Guatemala	12,161	6,787	2,864	3,364	831	3,412	1,553	6,384	10,373	47,729
Honduras	9,041	4,044	3,635	1,869	630	4,439	2,330	2,113	6,354	34,455
Nicaragua	8,145	2,962	2,851	418	50	2,065	150	1,559	5,104	23,304
Panama	8,307	325	2,249	901	6,537	534	5,668	5,454	17,221	47,196
Total	64,973	23,079	16,544	12,919	8,613	19,557	12,327	19,547	52,309	229,868
1979:										
Costa Rica	17,417	0	4,857	4,273	1,366	407	2,208	2,148	8,104	40,780
El Salvador	19,013	2,084	1,581	5,127	1,947	12,785	1,162	1,549	4,541	49,789
Guatemala	14,776	4,480	3,693	3,918	1,302	5,091	1,580	7,805	10,687	53,332
Honduras	11,356	456	2,348	2,763	1,013	3,042	2,203	2,768	5,778	31,727
Nicaragua	5,954	771	2,021	926	1,365	3,175	155	1,142	4,244	19,753
Panama	9,304	3,714	2,302	2,577	10,893	1,253	6,713	6,552	18,845	62,153
Total	77,820	11,505	16,802	19,584	17,886	25,753	14,021	21,964	52,199	257,534

U.S. Agricultural Imports From Central America and Panama, 1978-79

(In thousands of dollars)

Item	Oilseeds and products	Meat (P.L. 88-482)	Bananas and plantains	Other fruit, nut, veg. products	Tobacco	Sugar and molasses	Coffee	Cocoa beans and chocolate	Other	Total
1978:										
Costa Rica	3	52,926	77,689	7,048	2,570	6,681	77,831	20,386	4,546	249,680
El Salvador	353	7,958	0	756	312	27,461	118,096	1,286	370	156,592
Guatemala	5,569	27,136	18,616	7,127	5,660	26,776	205,426	9,039	4,249	309,598
Honduras	941	36,742	90,303	9,459	5,591	7,771	120,779	967	553	273,106
Nicaragua	2,926	63,937	19,081	814	3,739	19,927	33,643	543	1,156	145,766
Panama	0	479	27,052	1,894	1,536	26,372	10,819	3,156	756	72,064
Total	9,792	189,178	232,741	27,098	19,408	114,988	566,594	37,377	11,624	1,206,806
1979:										
Costa Rica	5	85,868	82,899	7,994	1,207	18,392	110,127	23,293	3,723	333,508
El Salvador	516	12,879	0	1,388	490	28,318	223,967	1,970	543	270,071
Guatemala	6,466	40,780	18,114	9,444	6,788	33,042	255,629	4,571	4,141	378,975
Honduras	2,242	62,617	108,356	10,132	5,187	17,718	102,694	809	1,581	311,336
Nicaragua	2,532	92,024	21,361	685	3,129	21,310	38,343	0	779	180,163
Panama	0	1,041	36,799	2,321	966	33,224	6,840	3,235	330	84,756
Total	11,761	295,209	267,529	31,964	17,767	152,004	737,600	33,878	11,097	1,558,809

to Guatemala were expected to reach $15 million in 1979. Elsewhere, Honduras spent about $17 million on agricultural equipment, primarily tractors and irrigation systems, while El Salvador bought $16 million worth of tractors and harvesting equipment.

Currently, AID—with the participation of USDA's Office of International Cooperation and Development—is extensively involved in agricultural development projects in Central America. These include small farmer irrigation projects in the Guatemalan highlands, a watershed management project in Panama, and a program, based in Turrialba, Costa Rica, to collect agricultural statistics for local extension services and agricultural research.

A major new project getting underway is an AID assistance program to help implement land reform measures recently instituted in El Salvador.

Central American Common Market

In order to promote economic development, five nations—Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua—formed the Central American Common Market (CACM). The groundwork for CACM was laid in 1951 in San Salvador when the foreign ministers of these countries gathered to discuss the mutual problems of the region.

The Multilateral Treaty of Central American Free Trade and Economic Development was signed June 10, 1958, establishing a limited list of goods to be traded duty free. On December 13, 1960, the General Treaty on Central American Integration was adopted by CACM, and provided for free trade of all Central American products, except those specifically stated in the treaty. By the end of 1966,

Land of Diverse Paths From Common Origins

Strictly speaking, Central America, a growing U.S. farm market, consists of five nations—Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua—that received independence from Spain in 1821. After a brief period as members of the Federal Republic of Central America, these nations assumed full independent status.

Also receiving independence from Spain in 1821, Panama joined the Confederation of Greater Colombia. In 1903, however, Panama proclaimed its own independence after Colombia rejected a treaty enabling the United States to build the Isthmian Canal, later known as the Panama Canal.

Today, despite their proximity and common colonial origins, these six nations are very diverse in terms of political institutions and ethnic composition. Nicaragua and El Salvador are currently governed by juntas, while Guatemala and Honduras are ruled by military governments. Costa Rica and Panama both have elected presidents.

Honduras, however, recently elected—by popular vote—a 71-member constituent assembly that is charting possible changes that may include a presidential election.

Ethnic composition varies as well. In four countries—Honduras, El Salvador, Nicaragua, and Panama—there has been considerable mixture of Indian and Spanish blood through centuries of intermarriage. Over half of Guatemala's population are Indians, most of whom live in the isolated highlands.

In contrast, approximately 97 percent of Costa Rica's population is of European ancestry with very little Indian influence.

Still, these nations share similarities in that they are basically agrarian countries with generally low per capita incomes. In 1978, per capita incomes ranged from highs of $1,540 in Costa Rica and $1,290 in Panama to a low of $480 in Honduras. Between these extremes, per capita incomes were $910 in Guatemala, $840 in Nicaragua (expected to be much lower this year because of the effects of the revolution), and $600 in El Salvador.

Costa Rica. Because of its long history of political stability, Costa Rica probably has the most solid prospects for the future of any Central American country. Its gross national product (GNP) grew almost 5 percent last year, compared with 6.1 in 1978.

Benefiting from a good climate and fertile land, food crops are receiving increased attention from the Government. Agriculture contributed about 21 percent of the nation's GNP in 1978. Costa Rica is presently able to meet most of its food needs from domestic production, with the exception of wheat.

Imports of wheat, which is not grown commercially, are rising at about 3.5 percent annually. The United States has traditionally been the sole source of these imports, which climbed to 88,029 tons in 1979 from 85,142 tons in 1978.

Overall, imports of U.S. farm products gained 35 percent from 1978 to 1979, but very little growth is seen for 1980 as Costa Rica hopes to hold the line on imports in the face of growing trade deficits due largely to high energy-import bills.

El Salvador. The smallest and most densely populated nation in Central America, El Salvador is currently plagued by political upheaval. As a result of economic disruptions and social unrest, the economy practically stood still in 1979 and a GNP decline as great as 8 percent is expected this year.

Agriculture is the most important sector of the economy, accounting for an estimated 23 percent of the 1979 GNP. About half of the population is employed in agricultural activities.

This year, the corn, sorghum, and

approximately 94 percent of all items listed in the Central American tariff schedule became entitled to free trade within CACM.

One of the most important accomplishments of CACM, the Central American Bank for Economic Integration (CABEI) was established in 1961 to promote the process of integration in the common market.

However, CACM has given relatively minor attention to the question of agricultural cooperation and integration. Implementation of an agreement on the free trade of corn, beans, rice, and sorghum is contingent upon the development of a regional system of storage and price supports. Attempts also are being made to organize and coordinate Central American purchases of basic grains from outside the region.

Officials are now attempting to completely restructure the CACM and to establish a common external tariff based on the Brussels Trade Nomenclature (BTN) customs code. A preliminary treaty has been drafted, but has not yet been ratified by CACM Member States.

Although CACM continues to function, its operation and effectiveness as a common market have been hampered in the past 10 years because of the lack of political continuity, and social unrest in the region. In 1969, Honduras and El Salvador fought a war over a dispute rising from the illegal entrance of large numbers of El Salvadorans into Honduras. As a result, Honduras withdrew from the CACM and has renegotiated bilateral agreements along similar lines with Costa Rica, Guatemala, and Nicaragua.

Although Panama has considered joining CACM, it has never taken steps toward becoming a member. □

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bean crops are expected to reach record levels, precluding any significant grain imports. However, since wheat is not produced on a large scale, import requirements this year are likely to be around 115,000 tons, about the same as in 1979, with most of the wheat expected to come from the United States.

Guatemala. Despite instability in neighboring countries, Guatemala's economy did well last year, registering a real GNP growth of 4.5 percent. Besides tropical products usually associated with the region, Guatemala produces a wide variety of other farm products. Its production of corn, sorghum, rice, pulses, and wheat makes the country almost self-sufficient in food.

However, heavy rains have hurt this year's grain crop, and wheat imports should rise above 1979's level of 85,647 tons. The United States usually supplies close to 95 percent of the nation's grain imports, shipping $26 million worth in 1979.

Last year, agriculture accounted for 25.6 percent of the nation's GNP and 72.5 percent of all exports.

Honduras. With an estimated gain of 6.75 percent in its real GNP, Honduras led the region in growth last year, but a slight slowdown is seen for 1980.

Agricultural production, accounting for about one-third of the nation's GNP last year, grew at an annual rate of 9 percent between 1976 and 1978. The high growth rate stems largely from the recovery following the devastation of Hurricane Fifi.

Honduras produces coffee, sugar, and tobacco for export, as well as corn, sorghum, rice, and beans for domestic consumption. Imports of U.S. farm products, worth $31.7 million in 1979, consist mainly of wheat, other grains, tallow, and soybean oil.

Nicaragua. Although cultivated area expanded considerably between 1970 and 1978, farm production fell precipitously in 1979. The planting season occurred at the height of the revolution and poor weather affected the reduced area that was eventually cultivated. As a result, output of basic grains, beans, cotton, and coffee was below normal.

To get the country back on the track, the Government has offered guaranteed producer prices and credits to encourage production during the 1980/81 growing season. Until this year's crops can be harvest, Nicaragua will be dependent on food imports and grants of food aid from the United States and other donor countries. U.S. food aid has amounted to $17.6 million in concessional sales being made available during the current year and $5.1 million worth of food and grants.

Agriculture, accounting for 28 percent of GNP in 1979, was not the only sector affected by domestic turmoil as Nicaragua's GNP in real terms fell a sharp 25 percent from the 1978 level.

The Government now controls about 20 percent of the country's agricultural land, which formerly belonged to Somoza and his associates. Besides confiscating these holdings, the Government has instituted the National Basic Grain Company that will be the sole buyer and seller of domestic and imported grains. It will also set producer and consumer prices.

Panama. Of all Central American countries, Panama has customarily been the most dependent on agricultural imports to meet domestic food needs. Given the limitations of land and rising consumption, it is likely that Panama will continue to be a net food importer and a good market for U.S. farm products which totaled $62.2 million in 1979, compared with $47.2 million in 1978.

Although self-sufficient in rice, Panama must import corn, sorghum, beans, and wheat. Corn and beans can be produced in Panama, but cultivation of wheat and other temperate-climate crops is impractical.

Last year, Panama's GNP grew by 3-4 percent, hampered by the rise in petroleum prices and the uncertainty created by the Panama Canal negotiations.

As a result of the new canal treaties ratified by Panama and the United States in 1978, substantial land, revenues, and management responsibilities reverted to Panama last year. While the Canal Zone remains a major factor in Panama's economy, the lack of growth in its operations since 1970 has virtually ended its contributions to continued growth in Panama's GNP. □

USFGC Livestock Feeding Programs Help To Boost U.S. Grain Sales to Japan

By Seiji Terada

Exports of U.S. feedgrains to Japan are mounting steadily, partly because of efforts of the U.S. Feed Grains Council, an FAS market development cooperator headquartered in Washington. The council's Tokyo office is working with Japanese animal industries to help them meet the growing demands of consumers for meat and meat products.

USFGC programs are designed to promote use by Japanese feeders of high-energy feeds using U.S. feedgrains, rations which provide animals with more energy per unit of weight than feeds currently being used in Japan. These programs cover a wide range of activities and each is geared to meet a specific need in the beef, pork, dairy, or poultry industry, as well as the feed milling industry.

Japan's demand for feedgrains has grown in most years since the early 1950's.

Japan's usage of feedgrains in 1979/80 (july-June basis) exceeded 19 million tons[1], over 8 million tons above the 1970/71 level. About 98 percent of the 1979/80 feedgrain total was imported, the remainder was produced domestically.

The United States is Japan's most important supplier of corn and vies with Argentina for the top spot as a sorghum supplier. Since the midsixties, the U.S. share of the Japanese feedgrain market has ranged from 34 percent to 72 percent with a 77 percent share forecast for 1979/80.

For livestock feed, U.S. corn and sorghum are preferred in Japan, whereas South African corn is preferred by starch millers. During 1978/79, the U.S. share of the Japanese corn market was 80 percent; South Africa's share just 12 percent, but still that country's largest share recently.

Since 1966, Japanese imports of U.S. grain sorghum have ranged from a low of 1.1 million tons in 1971/72 to a high of 3.2 million tons in 1973/74. For 1979/80, imports of U.S. grain sorghum are forecast at 3.3 million tons, equal to nearly two-thirds of the Japanese sorghum import market.

Japan's total feedgrain imports (corn, sorghum, barley, and oats) are projected to exceed 24 million tons a year by 1985, with takings from the United States climbing to a range of around 15-16 million tons.

USFGC's programs are geared to meet the long-term as well as the short-term needs of Japan's livestock and poultry feeders.

In 1980, USFGC/Japan will bring from the United States a management consultant who will work with Japanese calf raisers, farm cooperatives, and others involved in calf raising.

It also will bring a U.S. agricultural engineering consultant to work with beef producers to help them design livestock feeding facilities, and a 24-man Japanese animal health-survey team will make a 25-day trip to the United States.

The need for improved calf management and health standards is underlined by a recent Japanese Government survey that indicates that about 25 percent of each year's calf crop dies during the first 3 months, or suffers from serious illness shortly after birth.

The agricultural engineering project has as its aim cutting livestock-facility planning and construction costs by providing better architectural, labor, and resource management procedures.

Japan's livestock industry must adopt modern technology if it is to keep up with burgeoning demand. Annual per capita consumption of beef increased from 1.5 kilograms during 1955/56 to 3.6 kilograms during 1975/76, while domestic production rose from 134,000 metric tons to 327,000 tons (carcass-weight equivalent). During 1978, per capita consumption is estimated to have climbed to about 4.8 kilograms, and production rose to about 403,000 tons.

Japan's beef production originated from draft animal husbandry, which provided the primary source of feeder animals through about 1950. As draft animals were replaced by farm machinery, a miniscule beef industry developed as a secondary or tertiary aspect of small-scale rice and vegetable farming, based on the production of Japanese native cattle (black and brown Wagyu).

Native cattle numbers peaked at about 2.7 million head in the early 1950's and declined to about 1.45 million in 1978. However, during the early 1970's, extensive feeding of dairy steers had begun and these raised total beef cattle and cattle raised for beef to 2.1 million head, of which 1.45 million head were native cattle (mainly black Wagyu) and 625,000 were dairy steers.

Until recently, when feedlots came into being, most beef herds were small, averaging only 1.6 head per farm in 1968. Farms feeding 1-20 animals produced the predominant share of Japan's domestically produced beef. Animals were bred and calves raised and fattened in nonspecialized farm operations. In most cases, facilities consisted of sapling structures where animals were kept tied, there being little or no pasture on the average Japanese farm.

The first major change came when integrated marketing channels were developed in the late 1960's. These were based on various types of contract feeding arrangements that in turn led to the development of specialized feeder cattle production and fattening operations.

In the early 1970's, commercial beef production began to develop on a broader base and producers began to express an interest in modern confinement (feedlot) feeding practices, and in the raising of dairy beef. In response to this interest, USFGC initiated a beef development program to acquaint Japanese producers with U.S. confinement-feeding practices and the use of high-energy feeds.

During 1973, USGFC/Japan, Daiei

[1]Data were supplied by USFGC and FAS Washington.

Mr. Terada is USFGC/Japan's Beef Program Administrator, Tokyo.

Cattle feeding operation on northern Japanese island of Hokkaido.

Central Ranch Company (a subsidiary of the Daiei supermarket chain), and a local feedmill—Taiyo Ryokoku Sangyo (TRS)—drew up plans for a model beef feedlot project in Kagashima Prefecture in the southern island of Kyushu. Under the arrangement, USFGC/Japan was to provide seven U.S. consultants to design the facilities and waste disposal system, establish administrative, feeding, and animal health practices, and advise the feedlot operators on meat-grading standards.

USFGC consultants, helped formulate the high-energy rations, which were produced and delivered in bulk as complete feeds by the TRS feedmill, also developed with USFGC assistance. The Council even participated in the recruitment and training of the feedlot's personnel, and guided the technicians through the selection, feeding, slaughtering, grading, and retailing of the feedlot's first 613 head.

At about the same time, USFGC/Japan began to work with the Japanese dairy industry in its beef production activities.

During the 1960's, the National Dairy Cooperative (Zenrakuren) and other corporate and private producers had begun fattening dairy bulls. The first official notice of this development came in Government livestock statistics for February 1, 1971, when 186,300 dairy bulls were reported on feed, a total equal to 11 percent of all the cattle being fed for beef.

Dairy beef production increased rapidly and by February 1, 1979, 672,000 dairy bulls were reported on feed, a 260 percent increase from the 1971 figure, constituting 32 percent of the beef cattle on feed.

Dairy beef production was first started in Hokkaido—the most important dairy region—by small-scale cattle producers, whose feeder stock was transported to the main Japanese island of Honshu for fattening. This success encouraged others to engage in the business and in the early 1970's, Hokuren, the major agricultural cooperative in Hokkaido Prefecture, along with several other groups, began to promote dairy beef feeding. They were also aided by the Government, which wanted supplies of less expensive domestic beef as an alternative to Wagyu beef, an extremely expensive product.

USFGC/Japan arranged a series of beef management seminars and farm consultations with Hokuren in 1975. A series of dairy beef feeding trials also were initiated with several commercial and cooperative farms. These demonstrations continued through 1976.

Also during 1975, a full-scale model feedlot demonstration was initiated at Memu Farm, a Hokuren-assisted operation. This demonstration, basically a duplication of the Daiei project, applied successful techniques already learned to fattening of dairy bulls.

A feedmill, scheduled to produce about 16,000 tons a month and owned by Hokuren Feeds, was built to supply the demonstration feedlot with animal rations. USFGC/Japan assisted in the plant's construction and management.

At the end of the Memu Farm demonstration, seminars, demonstrations, and individual farm consultations were held to make more widely available information learned in the Memu operation.

The high-energy rations and related feeding practices introduced through these activities reduced time-on-feed by more than 25 percent—from 23 or more months to 17 or fewer—with significant improvements in carcass quality and reductions in production costs being realized. Significant reductions also were made in calf mortality and morbidity, problems that had always made serious inroads into beef producer revenues.

Because of the success of the Hokuren activities, the U.S. confinement feeding method caught on all over Hokkaido and now one-third of Hokkaido dairy bull calves are finished locally. The balance is transported south as feeder cattle.

During transport, animals sometimes became sick because of the stresses resulting from the long distance.

To cope with this problem, USFGC/Japan established two veterinary short-courses in the United States in which veterinarians from major Japanese feeding operations were given specialized training in coping with cattle ailments. Long-distance cattle movements also were scheduled to train the veterinarians.

With the rise in beef production in Hokkaido there developed a need for more meat-processing training and facilities. USFGC/Japan arranged for Hokuren slaughter teams to visit the United States in 1976 and 1977 to learn U.S. packing methods, which the specialists introduced in their own plants. Also, to help upgrade production, the cooperative renovated one of its large plants and built four new ones.

In recent years, significant increases have been realized in dairy beef output and in the Japanese use of high-energy, grain-based rations. Since 1974, four major cattle feed manufacturers with 10 mills have begun production of such feeds, based on USFGC/Japan's recommendations.

Between September 1978 and August 1979, these companies produced about 230,000 metric tons of feed, mostly in the high-energy category, amounting to over 10 percent of all of Japan's beef cattle feeds produced during this period.

Between 1971 and 1979, total beef feed production nearly doubled, rising 1.2 million tons to 2.3 million. The feedgrain component of the country's commercial beef feed climbed by 268 percent during the period, from about 515,000 tons to about 1.9 million tons, including feedgrains added on-farm.

In addition, USFGC/Japan has assisted several ingredient manufacturers to develop corn-steaming and corn- and milo-micronizing techniques for cattle feeds. These firms produced less than 30,000 tons in 1976, the year they commenced production, but production is estimated to have exceeded 350,000 tons in 1979. □

Transportation

Continued from page 10

the Rock Island and Milwaukee plunge into bankruptcy and other lines similarly threatened. Railroads' return on capital investment, moreover, is among the lowest for major U.S. industries.

The railroads lay the blame for their problems on antiquated labor rules and excessive regulation that restricts rate increases while discouraging changes needed to revitalize the industry. A particular concern is the unprofitability of branchlines built at the turn of the century when railroads were the main links to ports and urban centers. With the advent of motor vehicles, many of these lines were rendered obsolete, but abandonment has been a slow process, complicated by ICC regulation of the industry. Such lines are often in a state of disrepair and—because of their light densities—many are unable to handle fully loaded, covered hopper cars.

Railroads consequently want "almost total freedom to abandon lines," according to the Task Force.

Shippers claim that railroads themselves are creating a vicious circle of inadequate service, consequent loss of business, and ultimate discontinuation of service. They question the need for widespread branchline abandonment, saying that at worst it threatens farmers and rural grain elevators with bankruptcy and at best makes them dependent on higher-cost trucking services.

On the other hand, trucking rates could be pulled down by increased competition resulting from implementation of the Motor Carriers Act of 1980. Among the Act's provisions is the speeding up of ICC decisions on entry of new firms into the business. Such decisions must be made within 180 days—compared with up to a year previously—and probably will be accomplished in less than 90 days for uncontested applications, according to a July 28 article in the Journal of Commerce. The article also quoted a White House staff member as saying that consumers might eventually save $5-$8 billion annually as a result of lower rates deriving from the stepped-up competition.

While trucks move most of the perishable produce and dairy products, they still haul only a small percentage of the bulk commodities and generally only over short distances to the nearest rail terminal or barge facility.

Soaring energy costs are another concern that have shippers and transportation experts taking a close look at the alternatives. A 109 percent rise in diesel fuel costs over the past 2 years has made fuel efficiency a national priority that in some cases conflicts with current trends in transportation.

Barges, for instance, are estimated to be about twice as fuel efficient as rails and rails about three to four times as efficient as trucks.

Moreover, while railroads account for just over 3 percent of the petroleum consumed in the United States, highway vehicles take nearly 85 percent.

Added to the rising cost of inland transportation is the soaring expense of ocean transportation. A July 15 Presidential report to Congress on U.S. competitiveness in world agricultural trade stated that "energy costs, particularly for ocean carriers, now constitute the single largest percentage increase of all the components of increased transport costs." Costs of bunker fuel used for many ocean carriers, for instance, rose 60-100 percent during the first 9 months of 1979, even though basic crude oil prices changed only marginally during that period. □

Brazil's Coffee Production Continues Comeback in 1980

Brazil's coffee production continues its steady comeback from the devastating effects of the 1975 freeze and the 1979 frost.

If the good growing conditions that have prevailed thus far in 1980 continue, the 1981/82 harvest could approach or reach the pre-1974/75 level of 27.5 million 60-kilogram bags, substantially higher than the 21-23 million bags forecast for 1980/81 and 1979/80's estimated production of 22 million bags.

At present, Brazil has a potential of 30-31.5 million bags from a total area of 2.9 million hectares. To reach this level of output, however, all new trees would have to mature and growing conditions remain normal. The Government views the current production level as satisfactory, neither encouraging expansion nor discouraging new plantings.

Visible evidence of damage resulting from the 1975 freeze has now entirely disappeared, as trees stumped following the freeze have regenerated themselves and foliage appears to be normal. Trees planted since 1975 appear to be more productive than the stumped trees. The general condition of all trees this year is excellent.

In Sao Paulo—the principal coffee producing state—production in the 1980/81 season is expected to decline 7.5-8 million bags from more than 8.5 million in 1979/80 even though weather conditions generally have been good during the past year.

In Minas Gerais—the region most affected by the 1979 frost—production in 1980/81 is forecast to drop to 5-5.5 million bags from 7.3 million bags in 1979/80.

As production costs in Minas Gerais are higher than those in Sao Paulo and Parana, expansion of coffee area in Minas Gerais is held down except when prices are very favorable to producers.

Production in other coffee growing states is forecast at 4-4.5 million bags for 1980/81, up from 3.1 million bags in 1979/80.

Coffee exports from Brazil during 1980/81 are expected to exceed 15 million bags, compared with 13.5 million bags estimated for 1979/80. Ending stocks are estimated at only 7.1 million bags—a record low level. *— Based on a report by Milton Anderson, Horticultural & Tropical Products Division, FAS; and reports from U.S. Agricultural Attaché, Brasilia.* □

FACT FILE

EC CAP: Goals, Problems, and Results

(First of a two-part series. Part II will describe the CAP's effects on U.S. and world trade of farm commodities.)

The European Community

In 1957, West Germany, France, Italy, the Netherlands, Belgium, and Luxembourg signed the Treaty of Rome, which established general goals and principles for an economic union among the members of what is now known as the European Community (EC). In 1973, the EC was enlarged through admission of the United Kingdom, Denmark, and Ireland, and soon it will include Greece, Spain, and Portugal. A central element of the treaty was the gradual establishment of a customs union, which involved freeing trade between the Member States and setting a common customs tariff on imports from countries outside the EC.

The Common Agricultural Policy

Forming such a union for agricultural products required uniformity and centralization of the various national farm support programs. In addition, certain countries, especially France and the Netherlands, had a vital interest in including agriculture as part of the customs union, since they expected agricultural exports to subsidize a large share of their increasing industrial imports from nations like West Germany.

The Treaty of Rome recognized the key role of agriculture by specifying the goals to be pursued by a Common Agricultural Policy (CAP). These were:

- Increasing agricultural productivity;
- Insuring a fair standard of living for the agricultural population;
- Stabilizing markets;
- Guaranteeing regular supplies;
- Insuring reasonable prices for consumers.

This statement of objectives is only a general guide to the nature of the CAP, since the Treaty of Rome does not define key terms such as "fair standard of living" or "reasonable prices," or specify what degree of market stability is required.

Transforming the stated objectives of the CAP into concrete agricultural policies was a matter left to further negotiations between EC members in the Council of Agricultural Ministers. The result is a variety of written legislation and unwritten practices which differ from commodity to commodity. There are now CAP's on virtually all agricultural products except potatoes and sheepmeat.

Although the history of the Council's decisions is complex, three fundamental principles have governed all CAP's: Common pricing, community preference, and common financing.

Common pricing can be a misleading term, for within the EC it has not meant that prices for each commodity are the same throughout the Community. Broadly speaking, this principle requires that prices be regulated to establish a single market and to encourage the flow of agricultural goods across national borders. At one time, prices for some commodities were set higher in areas of supply shortages than in the main producing areas, causing a movement of commodities to the area of greatest demand. This was the case, for example, with grains and sugar. Though the regionalization of target prices now has ended, differences still exist in real prices caused by fluctuations in the exchange rates between national currencies and the European Currency Units in which target prices are expressed.

Community preference establishes the EC as the preferred market for the products of member countries, and conversely, makes the EC the preferred supplier of the needs of its members. When world market prices are below an EC-established minimum import price, variable levies (which may be changed daily) are imposed to make imported goods more expensive or more scarce than EC products. EC surpluses are discharged with the help of export subsidies to sellers. In the event that EC prices are below world market prices, as happened in 1973/74, export levies keep products within the Community to insure adequate domestic supplies.

Common financing means simply that the cost of the CAP is shared by all members. The price tag has soared in recent years, nearly doubling since 1976, from $7.7 billion to an estimated $14.4 billion in 1980. It is a cause of intense debate within the EC (See *Foreign Agriculture*, June 1980).

Some Major Issues

The CAP has been a subject of argument in the EC ever since its inception. The principal cause of concern has been the mounting agricultural surpluses which have

resulted from CAP policies and added to the spiraling bill paid by the member countries.

The most prominent example is the huge dairy surplus, estimated to be between 16 and 18 million tons of raw milk a year. The cost of disposing of the milk surplus alone is expected to account for 42 percent of the EC-s 1980 agricultural budget. Milk is the main source of cash income for many small farmers in the EC, where the average dairy herd is 13 cows. In fulfilling the mandate of the Treaty of Rome to increase the earnings of those engaged in agriculture, the CAP for dairy products revolves around a price-support system which sets a target price for milk, now at $318 a metric ton. Though milk itself is not directly supported, intervention prices (minimum purchase prices for surpluses) for butter, nonfat dry milk, and certain cheeses are set at such a level that the target price for milk is maintained.

The target price is a matter for negotiation within the Council of Agricultural Ministers. Since increasing farm incomes is both required by the Treaty of Rome and is politically easier than decreasing them, the target price has tended to be set at the highest prevailing EC market price. The result has been overproduction and surpluses.

A similar story, with minor variations, describes the mechanisms and effect of the CAP's on many other commodities, since price policies have been the chief instrument used for guaranteeing farm income. (See *Foreign Agriculture*, August 1980.)

The CAP has had only mixed success in this regard. Although there have been increases in real terms from the beginning, they have sometimes lagged behind the increases in the incomes of other workers, and have not been uniform. The annual rate of growth from 1968-1976 varied from 1.3 percent in Germany to 4.9 percent in Ireland. There are wide disparities of income as well between regions (some five times higher than others), types of farm, and size of holding.

The CAP has been more successful in promoting market stability and trade between members. Between 1962, when the first CAP was adopted, and 1975, agricultural trade among the members increased 409 percent, substantially more than the 335 percent increase in trade generally. The EC has claimed some success in stabilizing agricultural markets, pointing out that during 1968-1974, monthly market prices for wheat varied 3 percent in the EC, 11 percent on the world market, and 13 percent in the United States.

The effect of the CAP's price policies on consumer food prices is open to dispute. It is undeniable that consumers in the EC pay considerably more for food than those in other countries. In 1979, the steak that cost $6.37 in Washington, D.C., was $14 in Bonn. Yet food costs as a percentage of disposable income compare more favorably—16 percent in the United States and 21.6 percent in the EC, where per capita incomes are generally lower. As table 1 illustrates, the relation between price supports and consumers prices is complex, and it is difficult to trace the impact of producer prices on food prices.

Nevertheless, EC consumers have been upset at subsidizing inefficient producers through high price supports, and have added their voices to periodic calls for a system of direct payments to farmers. Such a system has been in place since 1974 for farmers in hilly terrains and other unfavorable areas, but the Council has resisted any wholesale replacement of price policy.

Within the EC, there has been a slow but steady decrease in small farms, as shown in table 2, though the average farm in the Community was still only 42.3 acres in 1976, compared with 390 acres in the United States. The number of farms fell 2.3 percent a year from 1960 to 1975, and the proportion of large farms (50 hectares or larger) rose from 20 to 40 percent of the total agricultural area. There have also been dramatic improvements in agricultural productivity, which increased 6.3 percent a year between 1967 and 1976, twice as fast as the economy as a whole.

Finally, in understanding the European view of the CAP it must be kept in mind that the Treaty of Rome and the CAP itself are political and not just economic institutions. To date the CAP has been the only fully working example of the ability of the European countries to arrive at and exert a common political will. Despite its shortcomings, European policymakers consider it a milestone on the road to the ultimate political unity that is the ideal of the Treaty of Rome.

Table 1—Producer and consumer prices annual percent variation, 1976-77

Member state	Producer prices	Consumer prices (food)
West Germany	- 4.4	3.4
France	7.9	13.1
Italy	23.9	19.7
Netherlands	- 8.2	6.6
Belgium	.2	6.5
Luxembourg	- .1	6.4
United Kingdom	1.4	18.0
Ireland	20.6	15.2
Denmark	4.0	14.8

Table 2—Distribution of Farm Sizes in the EC-9, 1970-75

Farm size	Percent of farms	Percent change
Hectares	*1975*	*1970-75*
1-5	41.9	-3.1
5-10	17.4	-3.9
10-20	17.6	-3.6
20-50	16.8	.3
50 and up	6.3	2.0
Total	100.0	-2.5

The Agricultural Situation in the Community (1978), p. 236.

Eastern Europe

Record Shipments of U.S. Grain, Soybeans, Oilmeal Reached During January-March

Exports of U.S. grain, soybeans, and oilmeals to Eastern Europe reached record highs in the January-March quarter of 1980, continuing a trend begun in the previous quarter.[1] However, except for soybeans, exports during April-June were below the levels of the two preceding quarters.

U.S. grain exports during January-March 1980 to the five principal East European importing countries—Czechoslovakia, the German Democratic Republic (GDR), Poland, Romania, and Yugoslavia—totaled 3.4 million tons, 261,000 tons higher than the previous peak, which was reached in the final quarter of 1979.

The advance in the first quarter of this year was primarily a result of a 400,000-ton sale of U.S. corn to Romania, which more than offset decreased exports to Yugoslavia. Romania notified the United States in May 1979 of its intention to import 1-2 million tons of corn during U.S. fiscal 1980 (Oct. 1979-Sept. 1980).

U.S. soybean exports to Eastern Europe in January-March 1980 totaled 264,000 tons, 40,000 tons higher than the previous quarter's total. Oilmeal exports, however, nearly doubled to 818,000 tons.

The oilmeal market expanded in all seven East European countries, with the largest gains in the German Democratic Republic and Poland.

Several factors probably contributed to the accelerated East European imports from the United States during this period, which was marked by the suspension of most U.S. agricultural products to the Soviet Union on January 7:

- Grain outturn in Eastern Europe declined sharply in 1979.
- Rapeseed production declined sharply, particularly in the northern countries.
- Livestock inventories were maintained in all countries except Poland.
- Argentine grain exports may have been diverted from Eastern Europe to the Soviet Union.
- A more favorable soybean meal-grain price ratio may have served as an incentive for mixing more oil meal in East European feed rations.

Based on the East European production shortfalls and livestock numbers, an increase in the area's feed imports during the current marketing year was anticipated. In November 1979, USDA estimated that Eastern Europe would import 3 million tons more grain in 1979/80 (July-June) than in the year-earlier period.

In recent years, Eastern Europe has turned repeatedly to the United States in years following crop shortfalls for additional supplies of grain, soybeans, and oilmeal.

In 1976—which followed a particularly bad year for East European agriculture—the U.S. share of East European grain imports reached 47 percent, compared with 32 percent in 1977 and 38 percent in 1978—both years of normal production.

In 1979, the combined grain production of Czechoslovakia, the GDR, Poland, and Yugoslavia declined by 6.4 million tons. Although good potato and forage crops somewhat alleviated the shortages, it is evident that a substantial increase in grain imports is badly needed in 1980.

Analysis of Romania's grain import requirements is more difficult. Grain production has increased, as have hog numbers, but the poultry inventory has declined.

Romania traditionally is both an exporter and importer of grains, with annual exports during 1976-78 ranging between 1.6 million and 1.8 million tons. However, Romania does not publish grain trade data by source and destination. Fragmentary information indicates movement of Romanian grain to some East European countries

[1]Analysis and data in this article based on FAS Export Sales Reports.

Yugoslav harvesters rest after shocking a wheat field.

and the Soviet Union in recent years.

Bulgaria and Hungary seldom import grains from the United States. Hungary, usually a net exporter of grain, has a contract with the Soviet Union to deliver 300,000-400,000 tons of grain annually.

It is likely that if Hungary harvests a large surplus of grain over its domestic needs this year, it will greatly increase its grain exports to the Soviets. Hungary may bargain its additional grain for additional Soviet petroleum or other needed raw materials.

The big jump in Eastern Europe's oil meal imports during January-March can be explained by favorable prices and the sharp decline in rapeseed production. U.S. oilmeal exports to Eastern Europe during October 1979-June 1980 reached 1.5 million tons—the level forecast in November by USDA for the entire year. — *Thomas Vankai, International Economics, ESCS.* □

India

Agricultural Sales to Soviets Rebound After 2-Year Decline

India's agricultural exports to the Soviet Union are expected to rebound sharply in 1980 to an estimated $450 million—a gain of more than one-third from last year's level—as the Soviets have bought most of India's exportable surplus of tea, tobacco, and coffee. The advance in 1980 ends a 2-year decline in Indian farm exports to the USSR.

Under trade agreements signed each year, various commodities are shipped between the two countries at specified prices, which are usually near the prevailing world market prices. Theoretically, the value of trade and services between the two nations should balance in a 12-month period. If it does not, the difference can be settled through payment with a convertible currency.

This two-way trade was about $1 billion last year. Among the major Soviet items to India were petroleum and fertilizers; agricultural products accounted for just over 80 percent of India's shipments to the USSR. During most of the 1970's, India registered a favorable trade balance with the Soviet Union.

The USSR's imports from India, which stood at only $72 million in 1962, reached a peak of $565 million in 1977 and averaged $538 million during 1975-77. Because of reduced Indian farm exports and jute products to the Soviets, this trade fell to $407 million in 1978 and slipped to $403 million last year.

During the 3-year peak period of 1975-77, Indian farm commodities accounted for 69 percent of total Soviet imports from India. Soviet agricultural purchases reached a high of $502 million in 1977 before falling to $335 million in 1978 and $331 million last year.

Striking gains in India's exports of tea, onions, tobacco, rice and cashew kernels to the USSR this year should offset a decline in wheat shipments. This year, India has agreed to send the Soviets 60,000 tons of tea valued at about $150 million—double the 1979 level.

Recently, the USSR purchased 25,000 tons of Indian tobacco worth $56.3 million, nearly depleting India's exportable supply of flue-cured for the remainder of 1980. Last year, India shipped 15,800 tons of tobacco worth $21.5 million to the Soviets.

India also has agreed to send 21,000 tons of coffee to the USSR this year, about 40 percent above the level of the 1979 agreement.

However, Indian wheat exports to the Soviet Union are down this year. Shipments are projected to fall below 50,000 tons, compared with about 400,000 tons in 1979.

In 1973 and 1974, India received about 2 million tons of wheat through the Soviet "grain loan" to be repaid in kind. Those shipments were financed by the Soviet Union, but the wheat came mostly from Australia and Canada.

Over the last 3 years, India has provided the Soviets with about 1.5 million tons of grain, of which a considerable portion went to Vietnam.

India has resisted Soviet suggestions of new arrangements to export wheat to the USSR this year. Earlier this year, small shipments of wheat and rice left India on Soviet vessels as the last repayment of the "grain loan."

More recently, India has arranged to provide the USSR—and others on Soviet trade accounts—about 1 million tons of rice in 1980/81.

Over the past two decades, the commodity mix of Indian farm exports to the Soviet Union has varied widely, with tea accounting for about one-third of the total in the early 1960's. In the early 1970's Indian tobacco exports to the USSR rose sharply and have been maintained as strong competition from South Korea and Latin America limited India's sales of flue-cured tobacco in Europe.

Exports of Indian peanuts to the USSR were banned in 1978 because of inadequate production and attempts to control spiraling prices for peanut oil. Shipments of peanuts from India to the USSR had increased in the late 1960's and early 1970's as a result of disruptions in

Workers in India carry tea from field to weighing station.

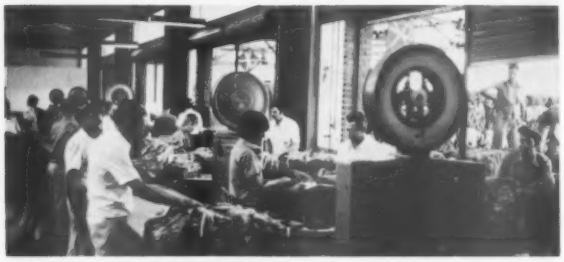
Chinese deliveries to the USSR. Indian peanut exports have been allowed, but limited levels.

In addition, India paid the Soviets in rupees for the construction of steel mills on the condition that the money would be used to buy Indian products. This triggered surprisingly large purchases by the Soviet Union, causing price gyrations for India's traders and consumers.

In the past decade, prices for tea, tobacco, cashew kernels, pepper, and castor oil in India have been strongly influenced by Soviet buying activities. — *By John B. Parker, Economics, Statistics, and Cooperatives Service.* □

Brazil

Tobacco Exports Up Despite Lower Output



Workers weigh and grade tobacco arriving from the farm at this plant in southern Brazil.

Despite a smaller crop, Brazil's tobacco exports—in recent years the country's fourth largest agricultural source of foreign exchange—this year are expected to rise about 10 percent over the 1979 level to about 140,000 tons.

Total Brazilian tobacco production for 1980 is forecast at 344,000 tons, compared with 397,000 in 1979. The outturn of commercial leaf in southern Brazil, held down by wet weather in late 1979, is projected at 268,000 tons, 19 percent below the 1979 total.

The forecast gain in export volume this year over the year-earlier total is based on reports of active selling of last year's stock excess and good sales of this season's crop.

Total exports of leaf from Brazil in 1979 reached 126,325 tons, valued at the equivalent of $284.3 million. Leaf follows coffee, soybeans, and fresh concentrated orange juice as Brazil's leading agricultural exports.

Exports of leaf from southern Brazil during 1980 are projected at 110,000 tons, up from 98,000 tons in 1979, and exports of leaf from the northeastern area are forecast at 30,000 tons, compared with about 28,000 tons during 1979.

Domestic consumption is expected to increase 5-6 percent this year to about 144,000 tons, ending the stagnant level that prevailed during 1979. Cigarette consumption rose marginally by 0.23 percent to 137 billion pieces in 1979, primarily because of three price increases during the year that boosted the average price by about 90 percent during 1979.

While there is little evidence that antismoking attitudes have spread, low-tar and nicotine cigarettes are selling briskly. However, Brazilian smoking tastes are expected to change slowly, as the best-selling domestic brands contain strong, full-bodied Amarelinho tobacco.

Commercial leaf companies in southern Brazil, which directly control nearly every facet of leaf production, will continue to promote quality improvement as the logical direction for Brazil's commercial leaf output—a policy that will be increasingly important in countering expected competition from Zimbabwe, whose re-entry into the marketplace with more than ample supplies has already put pressure on Brazil's export prices this season.

The Zimbabwe situation is perceived as more a medium- than a short-term problem for Brazil, since cigarette manufacturers—at least in the short term—are normally reluctant to alter their established blends to take advantage of new sources of supply.

Whether the traditional tobacco farmer in Zimbabwe will be encouraged to continue producing high-quality tobacco is open to speculation. While the potential competitive threat is clearly recognized by Brazilian producers, most believe the improvements already made in Brazilian tobacco quality—combined with further expected advances through technical training, improved cultural practices, and increasing mechanization—will keep Brazil competitive.

According to the Bank of Brazil, the average price for all tobaccos exported in 1979 was the equivalent of $2.25 per kilogram, compared with $2.18 in 1978. Top-grade Virginia tobacco was quoted recently at around $3 per kilogram, with medium grades around $2.30-$2.40 per kilogram. — *Based on report by Lyle J. Sebranek, U.S. Agricultural Officer, Saõ Paulo.* □

France

Red Meat Output Sets Record In 1979, To Climb Higher in 1980

French red meat production reached a record in 1979, and the country's producers expect output and consumption of all red meats to rise slightly higher in 1980. The consumption increase is less than indicated by the past trend and should result in a smaller volume of red meat imports and larger exports.

Total red meat imports are seen falling from 598,086 metric tons[1] in 1979 to 589,750 tons in 1980. Exports are expected to increase from 306,405 tons to 357,295 tons.

Total red meat output—consisting of beef and veal, lamb, mutton, goat meat, pork, and horsemeat—

[1]All data are on a carcass weight equivalent basis.

reached 3.72 million metric tons in 1979 versus 3.47 million tons in 1978, a gain of 7.1 percent, marking the highest increase recorded in the past 5 years. Total red meat consumption was 3.96 million tons in 1979, up 3 percent from 3.84 million in 1978.

For 1980, red meat production is forecast to reach 3.83 million tons and consumption, 4.05 million tons.

The 1979 red meat production gain resulted mainly from a surge in beef and veal slaughter, which brought their production total to 1.82 million tons, almost 10 percent higher than in the previous year.

Beef and veal production in 1979 was higher than the record set in 1974-76: 2 percent higher for beef and 10 percent for veal. Thus, these larger figures appear to indicate that the livestock sector is nearing the end of its recovery period after the 1976 drought, France's most severe dry spell in 50 years.

In 1980, beef and veal output is seen climbing by about 3.5 percent to 1.88 million tons.

Beef and veal consumption increased again last year and will further increase in 1980 because the price of beef is forecast to rise more slowly than inflation, and the economy is expected to show a real growth of 2 percent. These factors are expected to boost beef consumption by 2.25 percent to 1.81 million tons.

The EC market—the biggest export outlet for French beef—will take 75 percent of France's beef and veal exports of 295,000 tons in 1980, for a total of 220,000 tons. The increase is expected to result mainly from the reduction in the French monetary compensatory amounts, which act as a tax on French exports.

France's beef and veal imports are forecast at 240,000 tons in 1980, compared with 243,941 tons in 1979. Some 230,000 tons of the 1980 beef and veal import total should be supplied by other EC countries.

France's beef and veal trade improved in 1979, showing a net deficit of 809 tons versus a net deficit of 51,774 tons in 1978. Imports in 1979 dropped by more than 10 percent below 1978's to 243,941 tons but they still accounted for about 14 percent of total beef and veal consumption. This figure was higher than in any year prior to 1978, when beef and veal imports accounted for about 16 percent of consumption.

Exports were up by 10 percent to 243,132 tons, a rate almost comparable to the climb in production for the year.

This reduction in the French beef and veal trade deficit was complemented by a trade surplus in live animals amounting to slightly over 1.2 million head in 1979.

Pork production is provisionally set at a record level of 1.69 million tons in 1979, an increase of nearly 5 percent over the 1978 figure. Domestic consumption rose by only 3 percent to 1.88 million tons.

Market prices were more than 20 percent higher than in 1978 and monetary compensatory amounts—which had served as an import subsidy—were reduced to nil, so pork producers were euphoric after the difficulties of 1978, when pork imports increased 7.8 percent to 257,274 tons. Last year these imports declined 1 percent to 254,458 tons, while exports increased 36 percent to 61,577 tons.

The net deficit in live hog trade widened but in 1979—for the first time in many years—the pork meat net deficit decreased—from 212,000 tons in 1978 to 193,000 tons—largely because of a slowdown in the climb in the consumption rate of pork and pork products.

Pork production is forecast to increase by 3 percent in 1980. Prices have been high since mid-1977 and are forecast to remain high throughout 1980. Consumption, therefore, is not likely to rise at the same rate as production. Pork will probably have more competition from beef. Hence, the trade deficit is expected to drop slightly for both swine and pork. — *Based on report by Turner L. Oyloe, U.S. Counselor for Agricultural Affairs, Paris.* □

South Korea

Goal of Rice Self-Sufficiency Proves Elusive

Discouraged by two successive crop shortfalls, South Korean farmers this year appear to be shying away from the high-yielding varieties of rice that contributed to earlier successes in Korea's rice self-sufficiency program. It thus looks as if the country's 1980 rice crop will again fail to reach the record 6 million metric tons achieved in 1977, necessitating continued rice imports and heightened efforts to conserve domestic supplies.

Preliminary forecasts place Korean rice imports in 1980 at more than 700,000 tons, with most coming from the United States. Last year, import arrivals (milled basis) totaled 220,000 tons, including 46,000 from the United States and 164,000 from Japan, whereas in 1978 the country not only eliminated imports but exported 70,000 tons as well.

That temporary lull in import activity stemmed in large part from use of high-yielding varieties (HYV's)—hybids of rice originally developed for the tropics by the International Rice Research Institute (IRRI). At one time, the HYV's appeared to be the answer to the country's long-standing quest for self-sufficiency in rice. Developments in the last 2 years, however, have revealed the HYV's vulnerability to fungus attacks.

The country's large-scale use of HYV's began in the early-1970's as a possible answer to lagging production and heavy reliance on imports. These imports averaged almost 600,000 tons a year during 1970-75.

To reduce the import dependence, the country launched a program that centered around promotion—through price guarantees—of HYV's.

Area planted to the new HYV's rose from 181,000 hectares (15 percent of the rice area) in 1974 to 929,000 hectares (76 percent) in 1978. With HYV's producing 7.68 tons (paddy) per hectare against 5.88 tons for conventional rice, average yield reached 6.78 tons per hectare in 1977, compared with only 5.13 in 1974. The difference in yield made a substantial impact on total production, which shot from 6.2 million tons in 1974 to the record 8.3 million tons in 1977. This performance allowed South Korea to stop importing rice in 1978 and to relax controls on domestic consumption.

In 1978, however, expansion was halted by unfavorable weather and resulting fungus outbreaks

in the high-yielding rice. Official Korean Government data indicate that this weather-related damage lowered per-hectare yields of the HYV's to 6.75 tons in 1978, while estimates of the U.S. Agricultural Attaché in Seoul indicate an even steeper decline. Conventional rice yields, on the other hand, apparently reached record high levels in 1978 of 6.04 tons per hectare. In 1979, fungus outbreaks again depressed yields for the HYV's to an estimated 6.43 tons per hectare, while yields from conventional rice held at the 1978 record level.

Korean rice production consequently was reduced to around 7.4 million tons in 1978 and 7.7 million in 1979, according to Korean Government estimates. (And the U.S. Agricultural Attaché estimate puts the 1979 crop at only 7.3 million tons.)

Discouragement over the HYV's surfaced in 1979, when area planted to the new varieties fell 20 percent below the 1978 level.

While the Korean Government attributes this producer behavior to avoidance of the risk from fungus infection and resulting crop failure, a price differential also seems to be important in explaining the switch. According to the U.S. Agricultural Attaché, the retail price for a ton of rice in September 1979 was $1,302 for conventional types, versus $833 for HYV's. The premium on conventional rice is evidently due to consumers' belief that it has better cooking and eating qualities.

While conventional rice is traded freely in the marketplace, the Government buys HYV rice from producers at a price above that paid in the open market. In 1979, the Government purchase price amounted to $944 per ton.

Producer prices for conventional varieties are not available, but with a difference in yields of 12 percent or less in 1978 and 6 percent in 1979, it could well be more profitable (as well as less risky) to grow conventional varieties.

For 1980, these factors apparently are offsetting the Government's commitment to a return to the 930,000 hectares planted to HYV's in 1978. As a result, production is seen holding near the 1979 level.

The Korean Government meanwhile has taken steps to limit rice consumption. These measures conceivably could reduce rice consumption in 1980 by 300,000-400,000 tons.

Barley and wheat are being sold at prices well below those for rice, and wheat imports in 1980/81 may reach a record 2 million tons—up from 1.8 million tons in 1979/80. But even if these measures lower rice consumption, the population growth of 1.6 percent per annum and the increases in real income per person will give an upward push to consumption in coming years. — *John H. Dyck, Agricultural Economist, Economics, Statistics, and Cooperatives Service.* □

Egypt

Wants To Up Protein Intake, But Faces Livestock Sector Problems

Despite the Egyptian Government's objective of increasing popular intake of animal protein while reducing its meat imports, booming red meat consumption and minimal increases in animal numbers are forcing Egypt to buy sizable volumes of foreign meat. Changes in production methods and large imports of live cattle will probably be necessary before Egypt can supply most of its needs from domestic production.

In 1979, imports and consumption of red meat were held under the 1978 level as imports, at 82,000 tons, were down more than 40 percent. High international market prices and stricter application of sanitary regulations caused prices to rise on the Egyptian market and demand to fall. Red meat consumption, at 428,000 tons, was 9 percent lower in 1979, even though slaughter of all meat animals except camels was greater and domestic red meat production was 5 percent higher, at 346,000 tons.

Before Egypt can boost animal numbers and meat production sufficiently to achieve the Government's objective regarding animal protein intake, buffalo slaughter practices must be changed and sizable numbers of high-quality cattle imported to improve the genetic composition of domestic herds.

The common practice is to slaughter many buffalo calves at about 40 kilograms rather than holding them to the 180 kilogram weight for fattened buffalo calves, or the 300 kilograms for adult buffalo. A moderate increase in the length of the calf fattening time would greatly add to Egypt's meat supplies.

Egyptian data show that some 900,000 head of buffalo were slaughtered in 1979, about half of these in official slaughterhouses.

Of the total killed in these plants, about half were killed as newborn calves. The other half—about 227,000 head—were killed as fattened calves or adults. It is likely the same ratio pertains in the kill of buffalo in other slaughterhouses, giving some indication of the increased meat supplies that would result from extending the buffalo calf feeding period.

To improve the genetic makeup of its livestock herds, Egypt plans to purchase 3,000 Friesian cows from West Germany and 5,000 Friesian heifers from Ireland.

Such imports are likely to be made periodically since current slaughter levels cannot be continued without markedly reducing cattle numbers. However, before cattle herd size can be noticeably increased, the problem of short animal feed supplies must be solved either by developing a feed import program or a domestic feed production to provide needed volumes of balanced rations. To date little progress has been made in the development of either.

Cattle and buffalo numbers in Egypt are increasing slightly while camel numbers—based largely on imports of live camels from Sudan—are stable. At the end of 1979, there were an estimated 2.65 million cattle, 2.6 million each of buffaloes and sheep, 1.55 million goats, and 95,000 camels.

The number of hogs in Egypt in 1979 was 15,000, the same as in 1978. Pork output for 1980 is estimated at only 2,500 tons. Swine numbers and pork production change little from year to year because pork sales are limited in the predominantly Moslem society of

Egypt. Still, demand for ham and bacon is rising as hotels cater to increasing numbers of foreign tourists.

Egypt's severe shortfall in meat production and high domestic prices probably will continue for several years. There are indications Egypt could develop into a strong market for grain-fed meat, as well as for the grassfed product now being imported. The country could also gradually become a good market for live cattle for breeding and milk production, and feeder calves for fattening in the country's slowly developing but promising feedlot sector.

In 1979, Egypt imported 73,717 metric tons of beef (carcass-weight equivalent) and 8,000 tons of mutton and lamb meat. No pork was imported.

Egypt's beef imports included shipments from Argentina, Australia, Swaziland, Uruguay, and the European Community. Sizable volumes of canned meats also were imported.

In 1979, 600 live cattle were imported from Europe, mainly for breeding. — *Based on report by James E. Ross, U.S. Agricultural Attaché, Cairo.* □

West Germany

Output of Hides, Skins a Record, Leather Production Recovering

West German production of bovine hides and skins set a record in 1979, with about 62 percent of the total being exported. Leather output continued to recover slowly from its earlier depressed state.

Trade in hides and skins was down slightly from the previous year's level, but domestic consumption was up noticeably. The United States provided about 10 percent of West Germany's hide and skin imports last year.

German tanners anticipate a moderate increase in the demand for leather by German industry in 1980, indicating that imports of hides and skins may undergo a short-term rise.

In the past, West Germany's tendency was to export a growing share of its domestic hides and skins production, but in 1979 there was a moderate reduction attributed to short-term speculative stockpiling by tradesmen, reacting to inflated prices on the international market.

Italy—a long-time heavy importer of German hides and skins—again took a significant share of West Germany's 1979 output of 155,400 tons. Other important export markets included the Netherlands, Belgium, Austria, Yugoslavia, and Czechoslovakia.

West German imports of calf skins and cattle hides from the United States amounted to 5,400 tons in 1978 and 5,543 tons in 1979. Affected by the inflation-spurred price boom on the world market, the value of these imports during the 2 years jumped from $7.1 million in 1978 to $11.7 million in 1979. The U.S. product consisted mostly of wet, salted hides of heavy native steers.

Imports of bovine hides from the United States depend on their price compared with the European price. So far in 1980, prices in the United States reportedly have not been competitive with those on European markets, so U.S. exports of hide and skins may be limited this year.

Pertinent data, giving West Germany's production, trade, and consumption of salted bovine hides and skins for 1978 and 1979, and a forecast for 1980, are given in a separate table.

Although long-term West German production data for cattle and calf hides show a generally steady climb from 106,300 tons in 1960 to the 155,400 tons of 1979, data for the same years show a general downtrend in the production of leather[1], which fell from 66,467 tons to a low of 35,841 tons in 1975 and recovered only slightly to 39,500 tons in 1979.

The gap between production and consumption—which also fell from 1960's 71,053 tons to 48,466 tons in 1974 before recovering to 57,841 in 1979—was taken up by leather imports, whose rise from the 1960 level to the 32,598 tons of 1979 was relatively smooth.

Germany's leather exports also rose in the same 20-year period by 9,094 tons to 14,248 tons.

In 1979, 38 percent of total German leather production consisted of material for the shoe industry, another 38 percent for the upholstery trade, 14 percent for bags, cases, and personal leather goods, 6 percent for garments, and 4 percent for repair leather. The European Community (including domestic use by West Germany) took more than 54 percent of West Germany's leather production.

Worldwide, the leather industry has been adversely affected by many problems, including the replacement of leather in the manufacture of such products as shoe soles, jackets, purses, and belts by various manmade materials. Substitutions of these types have certainly affected the West German industry.

Some measure of this impact is indicated by the decline in the number of tanneries with 10 or more employees—from 307 in 1960 to 122 in 1979, with an accompanying fall in the number of employees in such tanneries from 26,310 to 7,730.

While some of this fall can undoubtedly be traced to other causes, it is probable that much of the decline is because of competition from manmade products.

With a decline in the use of petroleum-based plastics, leather prices may become more competitive and leather use increase.—*Based on report by Andrew A. Duymovic, U.S. Agricultural Attaché, Bonn.* □

[1]Leather production figures, compiled by industry sources, are based on outturn of establishments employing 10 or more persons.

West Germany: Bovine Hide and Skin Production, Imports, Exports, Consumption 1978-80

[1,000 metric tons]

Category	1978	1979	1980[1]
Production	148.1	155.4	154.0
Imports	54.4	51.2	56.0
Exports	100.4	96.1	95.0
Consumption	102.1	110.5	155.0

[1]Forecast.

TRADE BRIEFS

Total Sales Approach $2 Million at American Food Show in Japan

The 2-day American Food Exhibit in Sendai in northern Japan drew 751 registered buyers. Some 30 Japanese agents, representing more than 75 U.S. food processors, participated in the mid-July show—the first agent exhibit held here since 1973. Floor sales totaled $82,350, with projected sales for the next 12 months placed at nearly $1.9 million. Some 130 new-to-market products were introduced, 217 new business relationships established, and 62 wholesalers/distributors appointed. Cling peaches, raisins, potatoes, canned corn, processed turkey parts, wines, and prunes were among the most popular items at the exhibit. (At the late-April U.S. exhibit for red meats, poultry, and fish in Tokyo—reported in last month's *Trade Briefs*, floor sales approached $744,000. Projected 12-month sales were $24.7 million.

Australia, Soviet Union Sign Wheat Contract

The Australian Wheat Board (AWB) and the Soviet Union recently signed a wheat contract calling for the sale of 2 million tons of Australian wheat for delivery to the USSR between August 1980 and May 1981. Current Australian Government guidelines, in support of the U.S. suspension of grains sales to the USSR, allow for up to 2.5 million tons to be sold to the Soviets in the current July-June season—a sum equal to the upper limit applied to Soviet wheat sales in 1979/80.

French Grain Exports Seen at Record High

With its 1980 grain harvest forecast to rise to 45.32 million tons (almost equal to the record 1978 crop of 45.37 million tons), France's total exportable surplus in 1980/81 (Aug.-July), including quantities destined for intra-EC trade, is expected to reach a record 19.2 million tons. This includes 11.5 million tons of soft wheat. French grain exports in 1979/80—to the EC and elsewhere—totaled 17.7 million tons, including 10.1 million of soft wheat. The country's 1980/81 corn exports to other members of the European Community are expected to fall to 2.9 million tons from 3.1 million last season. Because of the heavy grain supply in the EC, trade sources feel France will be pushing for more exports to third countries in the current season.

U.S. Popcorn's Potential Growing in Sweden

After setting a steady uptrend during the Seventies, Sweden's popcorn imports—all from the United States—are expected to expand a sharp 15 percent this year from last year's level of 2,000 tons. Sweden is Europe's largest popcorn consumer, and second only to the United States—on a per capita basis. Trade sources feel that popcorn, which is imported duty free, has great potential for further expansion. Popcorn's nutritional merits as a "non junk food" and low price vis-a-vis other snack items make it attractive to Swedish consumers who are very keen on health foods.

U.S. Ginseng Prospects Bright in Taiwan

Prospects for U.S. ginseng exports to Taiwan are bright provided a proper marketing approach is taken to create a greater awareness of U.S. ginseng, reports the U.S. Agricultural Officer at the American Institute in Taiwan. Although Taiwan's imports of ginseng (raw and processed) fell about one-third in 1979 to 130,313 kilograms, those from the United States dipped only slightly to 32,064 kilograms—a market share of almost one quarter. Imports from South Korea, the traditional top supplier, tumbled from 147,807 kilograms in 1978 to 83,924 last year. While the American ginseng variety is relatively new here, Korean ginseng is well represented by an exclusive agent who promotes widely through newspapers and billboards. A large portion of the Korean imports is reportedly processed and packaged for consumer use.

Zimbabwe Takes Steps To Deal With Growing Tobacco Surplus

In response to its huge tobacco surplus, Zimbabwe recently announced marketing quotas for the 1981 season. Farmers will be permitted to market only 70,000 tons of flue-cured tobacco from the 1981 crop. The marketing base will be determined by sales during the past 2 years. If a farmer fails to fill his quota, the difference will be distributed among other producers. If he overproduces, he must destroy the excess production. This year's harvest, estimated at 115,000 tons, comes on top of large stocks already in storage as the new nation seeks to establish export outlets—possibly again in Western Europe, an important market for U.S. tobacco. The Government also raised the support price for next year's corn crop to encourage diverting some land from tobacco to corn.

PEIA and USFGC Among Cooperators at London Trade Office

The Poultry and Egg Institute of America (PEIA) and the U.S. Feed Grains Council (USFGC) are among the foreign market development cooperators located at the U.S. Agricultural Trade Office in London. Administered by FAS, there are now seven such offices in operation. In the July 1980 issue of *Foreign Agriculture*, PEIA and USFGC were inadvertently omitted from the list of FAS cooperators located at the London office, which also includes the U.S. Meat Export Federation. That address is: 47 Upper Grosvenor Street, W. 1, London, England. Telephone: 499-0024. Telex: 266777 (Attn: ATO).

Here & There

West German poultry processors/exporters reportedly signed two new contracts for the shipment of 5,000 tons of frozen poultry meat to Saudi Arabia and Arabian Emirates—delivery was scheduled to start in August. A technical mission from Chile recently visited Japan in the hopes of an agreement allowing Chilean grapes to enter the Japanese market. The Japanese will reciprocate later to check on pest-control measures adopted in Chile. • Intended to aid Canadian livestock and poultry producers facing a tight feedgrain situation, a proposal has reportedly been made to the Government to make feedgrain imports duty free for an indefinite period. • Most of the wheat requirements in Japan and Saudi Arabia are met with imports, but both countries are trying to increase domestic production through high support prices. In Japan, farmers are paid about $55 per bushel for wheat grown on land diverted from rice; the wheat support price in Saudi Arabia is running about $38 per bushel. • A six-person Japanese delegation recently spent 10 days in Canada observing cattle feeding operations in Alberta.

WORLD AGRICULTURAL DAYBOOK

SEPTEMBER

Trade/Technical Team Trips

U.S. Teams Overseas

Date	Team	To
Sept. 3-9	American Charolais	Brazil
Sept. 3-20	Tanners Council	France
Sept. 15-19	U.S. food processors	Trinidad & Barbados

Foreign Teams in the U.S.

Date	Team	To
Aug. 8-Sept. 29	Baking team from Thailand, Sri Lanka, India, Indonesia	American Institute of Baking, Kansas.
Aug. 13-Sept. 17	Korean flour millers	Washington, Oregon, Montana, Colorado, Oklahoma, Illinois, Kansas, Washington, D.C.
Aug. 30-Sept. 21	Benelux wheat trade	Illinois, Minnesota, North Dakota, Kansas, Texas, Washington, D.C.
Sept. 5-29	Sri Lanka wheat team	Kansas, Nebraska, South Dakota, Washington, D.C.
Sept. 16-26	U.K. bean importers and canners	Michigan.
Sept. 26-Oct. 7	Korean dairy team	Western and Midwestern dairy farms and milk processing plants; Holstein-Friesian Assn., Vermont.
Sept. 28-Oct. 15	Indian wheat team	Oregon, Washington, Colorado, Nebraska, Kansas, Missouri, Washington, D.C.

Trade Fairs/Exhibits

Date	Event and location
Aug. 27-Sept. 7	Livestock show; Esteio, Brazil.
Sept. 2/3	FAS Processed Food Show, Singapore.
Sept. 5-7	Livestock show; Bogota, Colombia.
Sept. 8-10	FAS Processed Food Show, Caracas.
Sept. 19-24	International IKOFA Show, Munich.
Sept. 19-28	Livestock show; Cremona, Italy.
Sept. 22	Beef-tasting exhibit, The Hague.
Sept. 24	Wine & Cheese Exhibit, Caracas.
Sept. 27-Oct. 12	Argentine Flower Show, Escobar.

Meetings

Date	Organization and location
In Sept.	Andean Pact Working Group on Trade; Lima or Washington, D.C.
Sept. 1-3	FAS Cooperator workshop, Baltimore
8-12	International Cocoa Council, London.
8-19	FAO Program and Finance Committees, Rome.
8-26	International Coffee Council, London.
15	Executive Committee, President's Export Council; Washington, D.C.
15-19	U.S. Customs Cheese Seminar; Milwaukee, Wis.
18-26	Inter-American Institute of Agricultural Sciences, Mexico City.
22-27	FAO Regional Conference for Europe, Athens.
23-25	U.S.-India Subcommission on Agriculture, New Delhi.
29-Oct. 3	UNCTAD Commodities Committee, Geneva.
In Sept./Oct.	OECD Working Party on Commodity Analysis and Market Outlook, Paris.

Recent FAS Publications

- Outlook for 1980 USSR Grain Production and Trade (FG 22-80)
- Processing Tomatoes: Area and Production Down in 1980 (FVEG 5-80)
- Coffee Supply and Distribution in Producing Countries, 1960/61-1980/81 (FCOF 4-80)
- World Poultry Meat and Egg Production and Trade (FPE 4-80)
- Poultry and Egg Statistics, Selected Countries, 1964-79 (FPE 3-80)
- World Oilseeds Situation and Outlook (FOP 16-80)
- U.S. Seed Exports, Quantity, Value, and Destination, 1978/79 and 1979/80 Marketing Years (FFVS 8-80)
- World Supply and Demand Summary for Grains, Soybeans, and Cotton (WSD 3-80)
- Rate of Growth in World Cigarette Output Slows in 1979 (FT 5-80)
- World Deciduous Fruit and Grape Situation (FDAP 1-80)
- U.S. Export-Import Values for Livestock and Products Advance in 1979 (FLM MT 8-80)

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U.S. Wheat Group To Set Up Model Bakery in China

A Beijing bakery and training center, now being established under an agreement signed in late July by representatives of the People's Republic of China and U.S. Wheat Associates, Inc. (USW), could play an important role in increasing China's imports of U.S. wheat.

The agreement was signed in Beijing by Gene Vickers, Executive Vice President of USW, a foreign market development cooperator working with the Foreign Agricultural Service to promote exports of U.S. wheat, and officials of China's Ministry of Light Industry and the Ministry's First Bureau in Beijing.

China has a few commercial bakeries, but they lack modern equipment. The semiautomatic demonstration bakery will be completely mechanized, and will be used to demonstrate modern baking machinery, processing techniques, and the preparation of bakery products new to the Chinese market. It will also serve as a training center for Chinese bakers. The facilities and services of the Beijing training center will be available to State agencies throughout China.

Vickers said the center is similar to other facilities that U.S. wheat cooperators have helped initiate throughout the world to boost exports of U.S. wheat.

"The Chinese will provide the building and will pay operational costs," Vickers said. "The U.S. Wheat Associates will provide equipment and installation technology, and operate an ongoing program of bakers' training." The program will include the training of bakery instructors at the American Institute of Baking in Manhattan, Kans., along with seminars conducted by visiting USW baking consultants from the United States.

Construction of the bakery building should be completed within a year. Training will commence in February 1981 when the first two of four Chinese bakers are slated to start 20-week courses at the Institute. When they finish their training, the bakers will return to China to supervise the training center and the affiliated bakery, which has a capacity of 1,500 pounds of bread per hour, most of which will be made available to the Beijing area.

The USW-Chinese Government project is an outgrowth of trips to China by U.S. Government officials and officials of USDA cooperator organizations. The first trip was made by U.S. Secretary of Agriculture Bob Bergland in November 1978 to discuss modernization of China's agriculture.

China is currently a moderate importer of U.S. wheat, having imported 2.6 million tons (July 1979-June 1980) from the United States. Purchases of wheat for delivery in the current marketing year, which began June 1, 1980, already have reached about 3.8 million tons. □

U.S. Wheat Associates Executive Vice President Gene Vickers (center) and Chinese officials sign agreement to set up model bakery and training center.